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# **Hamilton & Area Business & Industrial Information Conference**

**June 22-23, 1983**

## **Program Transcripts**

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To My Friends in Business, Industry, Commerce and Labour in Hamilton and Area:

May I join with Chairman John Agro and the other Hamilton Harbour Commissioners in thanking you for your interest in the recent Hamilton and Area Business and Industrial Conference, held at Hamilton's new Convention Centre.

The consensus is that it was helpful and effective. We hope you agree. As always, your comments are much appreciated.

It certainly did serve to demonstrate that good things can happen when all levels of government (federal, provincial, regional and municipal) join with business, industry and labour to work together as a team.

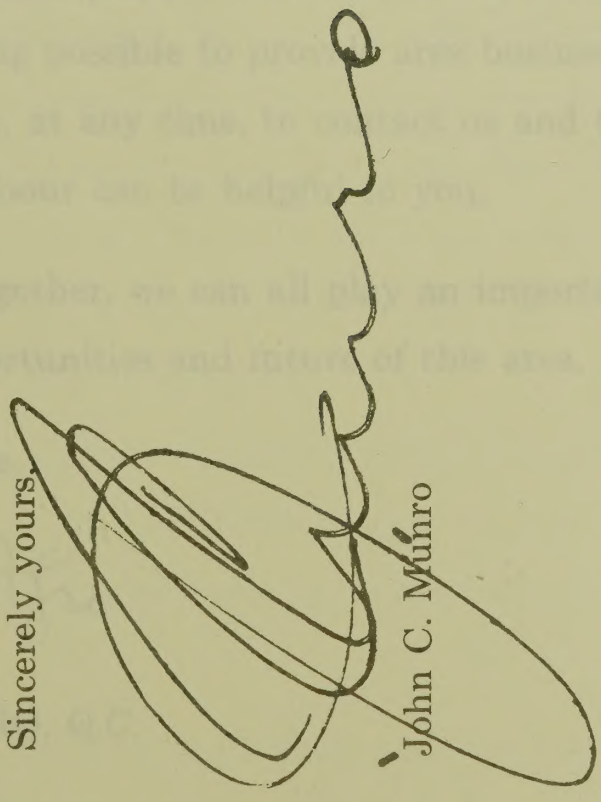
I considered my part in bringing together these potent elements a real privilege.



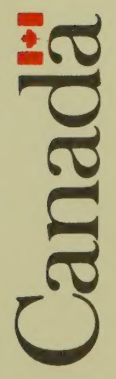
times. (1051 Main Street East, Hamilton - 547-1076). The economic growth of Canada depends so very much on the type of teamwork demonstrated at the Conference.

Please stay in close working touch.

Sincerely yours,



John C. Munro







605 James St. N.  
Hamilton, Ontario, Canada  
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The Hamilton  
Harbour  
Commissioners

Enclosed are transcripts of the seminar sessions held at the recent Hamilton and Area Business and Industrial Information Conference.

We appreciated, very much, the attendance and interest of Hamilton-and-area people such as yourself.

The Hamilton Harbour Commissioners appreciated the opportunity of sponsoring this Conference. Our sincere thanks go to all those who moderated, participated and played such a vital role in making the Conference possible.

Hamilton Harbour plays a vital role in the economy of this area; and intends to do everything possible to provide area business people with assistance. Please feel free, at any time, to contact us and to inquire about ways in which the Harbour can be helpful to you.

By working together, we can all play an important part in the growth, employment opportunities and future of this area.

Sincerely yours,

JOHN L. AGRO, Q.C.  
Commissioner

**The Hamilton Harbour Commissioners**

John L. Agro, Q.C.  
Chairman

B. M. Alway  
Commissioner

Peter L. Flaherty  
Commissioner

Earl M. Perkins  
Port Director





## FOREWORD

The Port of Hamilton — Canada's Heartland Harbour — is a magnificent natural harbour that has played a prominent role in the development of Hamilton as a major industrial centre. Traditionally, performance places the Port among the leading port facilities in Canada — a true international seaport in every sense of the word.

From a marketing standpoint, historically, the port has been able to sell itself with demand exceeding supply of available harbourfront industrial land; and there hasn't been a need for special incentives. This phenomenon was very much in evidence with the Pier 13 redevelopment plans completed in 1983, where a \$6-million refurbishment was undertaken with no prior commitments as to land use. Even before the project was 70 percent completed all three terminals were committed to existing port users. In anticipation of continuing demand for new port facilities, the Hamilton Harbour Commissioners have embarked on a twenty-year expansion plan known as the East Port development comprising some 50 hectares of prime marine and industrial sites with seaway draft berthage, fronting on the Queen Elizabeth Highway. The first stage, some 18 hectares, is now under construction including essential roadways, water and sewerage systems which are scheduled for completion in the fall of this year.

With a prime location on Hamilton Harbour, railroads and a major Provincial highway, the East Port development will combine the practical aspects of a busy commercial port with the aesthetic requirements of a high-profile location.

The Port of Hamilton, since its inception, has been in a state of ongoing development and redevelopment to meet the ever-changing needs of Port industry and commerce and, as such, is dedicated to ensuring a healthy, prosperous future for the Port and industry alike.



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INDUSTRY, TRADE & COMMERCE

MODERATOR: Mr. John Morand, Director of Economic Development  
Department of the Region of  
Hamilton-Wentworth

PANELISTS: Mr. David Graham, Regional Director for Ontario,  
ITC/DREE

Mr. Donald Grant, Director for Central Ontario West,  
Ministry of Industry and Trade, Ontario

Mr. Jim Sebert, Industrial Development Consultant,  
St. Catharines

Mr. Arnold Sandler, Industrial Development  
Consultant, Ministry of Industry &  
Trade, Ontario

Wednesday Afternoon, June 22, 1983

INDUSTRY, TRADE & COMMERCEMODERATOR:

This is the Industry, Trade & Commerce panel. There are also two other panels going on. If any of you are interested in the Small Business panel, it's in another room.

When I asked what the definition of small business was, someone commented that "It's being able to meet payroll on Friday night and still have a little left over for the family!" Which means most Canadian businesses!

Northern Opportunities is in the next room, just adjacent to us. And there is no truth to the fact that Northern Opportunities is going to be dealing with the Laxlands!

I'm going to introduce your panel and then I'm going to make a few short remarks about the Regional Economic Development Department. Then we are going to have each of the panelists make short remarks and then we're here to answer questions that you might have.

First of all, I'd like to introduce Mr. David Graham. He's Regional Director for Ontario, for Industry, Trade and Commerce, Department of Regional Economic Expansion. David.



Mr. Donald Grant is the Director for Central Ontario, West, for the Ministry of Industry and Trade, province of Ontario.

And Mr. Jim Sebert, Industrial Development Consultant. Jim comes from down east. He works out of the St. Catharines' office. Those of you working, living and owning businesses in the Stoney Creek area, I'm sure have dealt with Jim.

And Mr. Arnold Sandler, who is Industrial Development Consultant with the Ministry of Industry and Trade, Province of Ontario. Arnold deals with the rest of the Regional Municipality other than Stoney Creek.

Now, very quickly, just to tell you what the Economic Development Department does for the regional government: We're basically "facilitators," and when I say that, what I mean is that we will act as an interface between local business here in the region, and the two senior levels of government ... to explore programs that are currently available or might be tailored to fit a particular opportunity or situation you have.

We will work with you in terms of advising you on the applications and how the application might be tailored. And, basically, hand you off to one of the other levels of government. When I say hand off, what I mean is that we'll introduce you, but in most instances we continue on in terms of the ongoing discussions. That's in terms of the programs that are available at both the Federal and Provincial government levels. On a more local basis, we will work with local existing businesses and new people who want to come into the area. We work to solve any zoning problems, building permit problems or other problems that would be local and municipal in nature.



In other words, we can walk with you over to the local building department, either in Hamilton or one of the other municipalities. We can deal with the planners, whether they be in Stoney Creek, or Hamilton, or at the regional level. So, from the Economic Development standpoint, that's what we do. We offer something like, I think, 38 or 39 different kinds of services including, right up to and including helping setting up business plans. We have a complete draft business plan a number of people have come and used preliminary to applying for a couple of programs that are probably going to be touched on here today, at a federal or provincial level.

Now, having said that, a short and quick description of what the department does. About 80 percent of our time is spent on the Business Development side, doing things that I've just mentioned. Having said that, I'm going to turn it over to David Graham who is going to be discussing with you where Industry, Trade and Commerce, not so much has been, but, I think, where they are going.

---

DAVID GRAHAM:

Thanks, John, very much.

As John said, I represent two departments that are now living in a common-law relationship, DREE and IT&C; and we hope to be married soon to form a union to be called the Department of Regional and Industrial Expansion.

In the meantime, we have my Minister, the Honorable Ed Lumley, and he is the Minister of both departments. So, for the time being, we are administering the programs of the previous departments and hope that a new program, the Industrial and Regional Development program will be tabled in the House.



Let me go back, if I may, to where we are coming from and then as to where we are and then I'll address the new program in its elements because that's probably on what you want to ask most of your questions.

I'd like to go back to the days of the sixties, when our economy was fairly healthy and booming. At that time, the Federal Government's approach to the business community in general was "leave well enough alone." If industry is working and is profitable, stay out of the picture. That was one factor. Or to address only on a narrow basis, either a sectoral problem or a specific issue, like stimulating exports or product innovation as very specific things. A lot of it was reaction to a specific need or problem arising in the economy. On the other side there was a thrust of, I guess it was, redistribution of wealth. I'm not talking on the social side, I'm not talking unemployment insurance or those programs, but redistribution, if you will, of industrial wealth and that was the genesis of DREE, the Department of Regional Economic Expansion. Its goal was to be preoccupied with those parts of the country that were not industrialized, that were desperate. Its preoccupation was more with problems relating to need where IT&C mainly was preoccupied, I guess, with both information and opportunity. DREE most heavily involved itself in the Maritimes and Quebec; the Maritimes because of the lack of industrialization and in Quebec because certain major sectors of the Quebec economy were vulnerable: textiles, shoes, leathers and others. Their standard technology and inroads from the third world, and also the investment climate in Quebec, was compromised by political environment and, I guess, the federal government felt that some compensation should be given to the people of Quebec to compensate for that factor. In Ontario, it was only Northern Ontario, north of Parry Sound, and in the west, southern Ontario and most of



southern British Columbia were excluded from the program. So Hamilton, during that period, and up until now, has been deemed to have been functioning reasonably well with its own resources but there have been specific programs available in Hamilton. Three I mentioned: The Enterprise Development program, which was designed to assist firms to develop new products, improve existing products, help towards the cost of building prototypes and in some cases, assisting firms to restructure or assisting in mergers of firms that were structurely weak. Through a restructuring, the company could regain its vigour and become competitive again. The emphasis certainly was on productivity, new productivity, new product development and particularly export markets.

The other program that is currently available is the STEP program. There is literature at the back on these programs that you may want to get afterwards. It is Support for Technology Enhanced Productivity. I'm amazed that this program has not been accessed more. It's in three stages. The first step is merely a look to see where we'll do paper feasibility studies. If a manufacturer is not quite sure whether micro-electronics will improve his productivity we're prepared to pay up to 75 percent of the cost of a study to see whether or not it would be feasible to introduce micro-electronics into the production processes. Step two goes a stage further, we'll go 50/50 on actually putting a system in a plant on a prototype basis to test it out. Step three even more enhances where we'll go up to 50 percent on the assistance towards robotics and going the full way. It's a program that has been accessed, I think, only three times in Hamilton, I don't know why not more frequently. The other, I think, is a program with which you are probably familiar. It is a program for export market development and is basically designed to assist firms to go



and crack foreign markets; where we'll pay a fair chunk of your trip to New Orleans, or Bombay, or wherever, if you think you can crack a market, we'll certainly help to defray the costs of going into a trade show. It's a program that's easy to access, and our reaction time is rapid. A strange phenomena. We've all observed in the department, in both departments, that we've had little, very little access to these programs in the Hamilton area. I have no explanation for it. We get more applications from Midland than we do from Hamilton, or Windsor, or from London, or from Chatham, or Oxford. Maybe you gentlemen can explain why.

The new program, the Industrial and Regional Development Program, which I presume you'll be wanting to ask questions about, has collapsed 84 federal programs down into really seven, and is designed to be available everywhere in Canada. It is very, very flexible. The first element is Industrial Infrastructure. And by this, we are talking mainly institutional, we are not talking sewers and water, so much as technology centers, assistance to universities, skills training centers. We are talking investment climate basically. We are prepared to put funds in there.

The other element is innovation which is process development, developing technology capabilities, developing design and demonstration engineering, is the second element. Third is establishment, establishing new plans. Fourth is modernization and expanding existing plants. The fifth is marketing, an emphasis we have not placed as much on in the past. We are prepared to assist in marketing, both with import replacement assistance as well as foreign. We're even prepared to assist companies in the search for capital. If that requires a consulting fee to find money, the government is prepared to sit down with manufacturers and pay some of the costs towards money funding. The last element is restructuring, and that is



companies that are repairable. Many companies have gone out too far from the beach and are in over their depth; and if you bring them back to the beach, they'll go back in deep water again. I'm talking about the ones that if you bring them to the beach, they've got enough energy to run on dry land. We're really trying to avoid salvage operations of companies where their technology is obsolete, where their management is dead. We want to avoid that, but are quite prepared to address those companies that, if restructured, the inherent management vigour is there. This program, I hope, will become law shortly, and I'd be prepared to answer any questions on it.

---

DONALD GRANT:

Thank you. Good afternoon. I'd like to talk to you about the Ontario Ministry of Trade. We have an operation across Ontario to bring our programs to people in a local area. I want to point out that, as John has mentioned, we have an office attached to this building. For those of you who are taking notes, our local telephone number in Hamilton is 523-7783. Arnold Sandler, who was introduced to you earlier, staffs that office, looking after Hamilton - Wentworth with the exception of Stoney Creek. We have another man who looks after the region of Halton. We deal in programs of our Ministry, programs of other provincial Ministries that affect business and in an advantageous way, I should say. We have no regulatory function. We have identified some 72 programs that should be of interest to business, depending on what the objective of the business would be. We don't have literature to hand out at this time. We would ask you to get in touch with us, talk with us about what you want to do, and we'll see if there is a program that will fit your need.



You may think, as I go into them later, that some of our programs overlap those of the Federal government. Actually, we try to tailor ours so that we fit a need that the Federal government doesn't address itself to. They are generally concerned with larger projects than we are. We don't compete for Industrial Development work, we co-operate with David Graham's departments. We like to see them spending as much money on Ontario businesses as they possibly can and, through our officers and our local office, we'll help you have access to the programs David has mentioned. I hope we can pull up Hamilton's record which seems to be on the soft side.

We also have an office in St. Catharines, which we use to deal with Stoney Creek and points east. We have a Watts line for those of you in Stoney Creek, who want to call us in St. Catharines. The number is 800-263-5670. Now, I mentioned 72 provincial programs. I'm glad David's department is collapsing a large number of federal programs into seven. At the last count we had, there were over 90 federal programs coming through various departments, those David has mentioned plus the National Research Council and the Export Development co-operation and others. But, we have information on all these programs. If we feel, when you are talking with us, that a federal program will suit your needs better than a provincial one, we'll try and help you have access to a federal program.

Now, what do these programs cover? Well, our services are primarily to manufacturers. There are a few for retail operations, but by and large, they are addressed to the manufacturing industry. They include counselling, marketing and finance, computer financial programs that will let you spread out your options and try different factors to see the net result. We have industrial engineering assistance. We run trade missions overseas.



We have 13 offices around the world, five of which are in the United States. We are going to be opening some more offices shortly. We open and close our offices as business conditions warrant. Sometimes we go back to a foreign city where we have had an office shut down for five years, because it didn't appear that the time was right for the business there. As I say, currently 13, I expect three more to be announced shortly. Those overseas offices can make appointments with potential agents for customers as original equipment manufacturers or so on.

In countries where we don't have offices, we make use of the federal offices there, run by the Department of External Affairs. We support the small business counselling program at McMaster University in this area, and 11 other universities across the province, where you can have low-cost consulting assistance from senior and graduate students under the supervision of a faculty member. We support, along with the federal government, the Business Advisory Center right here in Hamilton. This is a unique service, supported by the three levels of government, plus twenty-odd senior industries in this community where a small manufacturing company with a particular problem can get in touch with the co-ordinator, Doug Harris. I saw Doug at the conference, but he must be sitting in on one of the other seminars; and they will put you in touch with a knowledgeable person from one of the senior industries in Hamilton, it might be Harvester, it might be one of the steel companies, it might Otis. If you are having a design problem, industrial engineering problem, they'll send one of their experts out to help you for a modest fee. To my knowledge, there isn't another center in Canada that has a service like this, sponsored by its senior industries. Our Ministry also gives assistance to people who wish to make some application through the FIRA group.



If your business is becoming involved in an equity fashion with a foreign owner or partner or if you are a businessman who is making a deal with foreign company for which you know you have to have approval from FIRA, we have a small group in Toronto to whom we access you for advice and guidance in that respect. That's a brief run-down about what we do, what I do. What I would like to invite is questions of a practical or a hypothetical nature and we'll try to respond to them. Jim Serbert and Arnold Sandler, beside me, are working in these areas every day, and together we'll try to respond to any question you may have. Thank you.

---

MODERATOR:

Just one other comment on how the Economic Development Commission works as a facilitator. You've probably seen two booths in the lobby. In addition to the material we get from CCH and the book that we actually hand out, we also have another new book that the booths have put out. It details all of the programs federally and provincially, province by province. So, again, individuals coming into the department will either access reference material we have, either directly or by telephone calls to different departments and learn of the programs that are available. We'd like to start the questions. I'd like to ask that if you have a question that you come to the microphone. If you are too shy, as someone said a few minutes ago, to come to the microphone, you are probably too shy to seek government assistance on one of these programs. We'd like to get all of your comments, and particularly your questions, because it's often the questions that come out of these types of sessions that will result in provincial departments or federal departmentst looking at areas where they should be perhaps offering assistance that isn't currently available. Everything is being recorded for future reproduction of printed minutes of the meetings.



Q. My name is John Elder, and I operate a mustard business here in Hamilton called G. C. Dunn and Company. From comments that you have made, John, are you suggesting that it is advisable that we contact the Hamilton - Wentworth Economic Development Council, your offices, with ideas before we make approaches to the government?

A. No, I don't think that is necessary. What I'm saying is that if you have a question or suggestion, give us a call. We'll try to point you quite quickly in the right direction. There is nothing more frustrating than 'phoning seven different government numbers and being bounced from department to department trying to find out to whom you should really be talking. I'm not saying that happens all the time, but it happens to me, periodically, and I have the manual. So you can 'phone the local Industry, Trade office here for Ontario. They'll do the same thing we'll do. You can 'phone the federal office in Toronto, they'll do the same thing. So any of the three.

Q. I may make a comment for those people who might be too shy to get up to this microphone that if they do have any problems that they should contact John Morand's office, because John Morand's office has been very good to our company. If you are developing or maintaining an industry in the Hamilton area, it's a wise move. Thank you.

Q. I have a question for Mr. Graham. My name is Carl Smith, and I'm with Allen Industries in Hamilton. We're preparing a STEP program request now, and we find it difficult to get an opinion on its eligibility. I was wondering what would be the best procedure for contacting the government Ministries to get some more specific answers rather than just going through



the procedure of making the application and then just waiting. This may be a waste of time in the case the program does not have eligibility.

A. I'll see that an officer comes to see you tomorrow, if you wish.

Q. We would appreciate that very much, sir.

A. That's the best way to see if it is eligible, not to waste your time.

I know I've found that public forums are not the place to discuss private business, but I'd be glad to meet with you, personally, after this, if you wish.

Q. Yes, I would, by all means.

A. I'll give you my card and get someone down tomorrow.

Q. Thank you very much.

Q. I've got a specific matter I'd like to speak with you about. I'm sorry I get the names confused in the departments, but I'm with a company called Stoler Pool Covering Systems. We're a new company in Burlington and we manufacture. My stepfather has patented a process for automatically putting pool covers on a swimming pool and taking them off. We're marketing the product in England and the USA on a shoestring budget right now. We fortunately have some assistance through ODC and EDC regarding financing of receivables. The unfortunate part is that we spent the better part of six months speaking with a couple of individuals at ITC for EDP adjustments assistance and we were lead to believe, month after month, that, number one, it would go in and then, number two, that it looked very, very promising. Then we're refused, after six months, on the basis that the company wouldn't have



enough equity. A very, very broad fact that these people knew six months prior to this point in time when we gave them our financial statements. The question is, very simply, who may I speak with to open up this case again? We have a patented product. It's made in Burlington, invented by a Hamilton businessman, patented in the United States and we need assistance basically in terms of working capital to get the bicycle up and running. We need people to manage the plant, and we just run around. That is the long and short of it.

A. Well, number one, I'm sorry that you got run around. I'll look into that. Secondly, if inadequate equity was a problem, it will still be a problem. We do have certain equity requirements and they are there. We are dealing with taxpayers' money and if there is inadequate equity, you should have been told that six months ago.

Q. Well, yes.

No, we're talking about one individual putting a quarter of a million dollars into the business and that being called an intangible asset, and unfortunately, that is the main asset of the company right now. But, the profitability or the potential viability of the company, given some initial working capital is, we think, beyond doubt. It's just a matter of what we are trying to do is to avoid, at this point in time, somebody's having invented the product and having spent the three- and a-half years in his spare time trying to avoid getting partners involved. It would be kind of nice to keep the whole company. We weren't looking for a grant, a handout, just a loan guarantee, \$100 000 to get us over a period. It



didn't seem like such a magical thing. We were told by consultants that used to work for IT&C and are now out on their own, that there should not be a problem. And the bottom line is that the political strings were not being pulled in the right direction in my opinion. I would like to reopen the case.

A. You can reopen the case. You always have the right of appeal. As I said, the basic requirements relating to equity, and debt to equity, will still prevail, however. I recognize your desire not to water down your ownership and bring in a third party. But, sometimes, that is inevitable. That's the only route that you can go. And we are constrained by regulations as to what we can do. And if someone didn't give you a straight answer six months ago, then someone is going to catch it. I'll find out who was in charge of the case.

Q. I'll tell you in private.

A. Fine, then we'll reopen.

Just another response to that. Something I hadn't mentioned is that we have another set of texts called Sources of Funds which are private equity funds. There are over 100 of them in Canada and the investment criteria that those funds have including pension funds. One of the things the last gentleman might do is talk to one of the pension funds or other equity groups looking at some type of dead instrument that might be converted or repurchaseable at a given point so that he could get equity in a convertible debt form into the company on a short-term basis with an option to purchase it back at a given point. And I think that may well meet the requirements of Industry, Trade and Commerce. I know we've looked at a couple of deals along that line.



Just one more point on the last question. When your case, you must recall, went up before the EDP board, which is made up, primarily of your peers, private sector peers, I recall a case that went up as a recommendation from the bureaucrat and was rejected by the private sector, not by government. It was rejected by a Board chaired by a businessman. I'd just like you to be aware of this. And it went up as a recommendation for approval.

Q. My name is Susan Adams, and I work for C.N. Sitter Ltd., where I manufacture agricultural equipment, mostly high-pressure sprayers, washers, this type of thing. We're the only Canadian manufacturers of the product. We have quite a market open to us overseas, and, as yet, we haven't explored it, I am wondering what is the best way to expedite an application for a trade show in November?

A. You should get in touch with us immediately if you have some specific plans of what you want to do; and be as specific as you can and not just wishful thinking. We can move very rapidly on it.

Q. So, I see you personally, do I?

A. Well, you could. We have a whole staff that deals with what we call "Pendees." You can contact me and I'll put you on to the right person to see. But you can move very quickly on that.

Q. My name is Marnie Stewart, and I operate a steel warehouse in Burlington. We have made an acquisition of another company in Toronto, and we are going to have to relocate both divisions come summer '84. I'd like to find out if there is anything that would make us relocate in this area, because my head office is now talking about Brantford or Guelph. We're all Burlington people or Hamilton people or Toronto people and we would like to relocate here. The new division, I might add, does have processing. We have the



slitting line and all that sort of thing; so I think that perhaps we are now in a manufacturing position as well as just general warehousing. I want to know where I should go to find out what goodies, if any, there are, to help us to relocate where we would rather be.

A. Perhaps I can handle that. This is one of those instances where I can actually say I am from the government and I am here to help you. We will put together, for you, a complete package for your management team that's making that decision. It will analyze competitive taxes in the other municipalities, analyze the cost of building here versus other places, look at the transportation requirements that you may have in terms of raw material transportation which I assume you are buying from the local steel mills ...

Q. Yes, and Europe.

A. Also, if you locate somewhere else, what the transportation costs of the raw materials versus the finished material to your final market would be. There are a whole variety of things. I have a staff economist who would sit down with you, and someone in your group who wants to relocate here. We could put you in touch with a variety of people. We normally give three names of individuals who own land or who would be willing to build on land owned by the region or city here. We put you in touch with a variety of construction companies that will come in and give you quotes, local architects etc. Although I hate to mention it, Matt Fisher, over in Burlington, who is my compatriot over there, is a very competent individual and Mary Dolan at the City of Burlington would also provide that kind of service to you. I'm sure that between the three of us that we can convince you a) to stay in this area, and b) after you listen to what Matt and Mary have to say and come and talk to us here, we'll find a great spot for you in the Hamilton-Wentworth region.



Q. I've talked it over with both Matt Fisher and Mary Dolan and, because of the fact that we are very specialized, we don't need the exposure that we can get in this area really. Now that we have applied for the ILAP program out of Brantford, I'm afraid that's where we are going to end up. And I just wondered if there is anything you, know, locally, that would fit our requirements in order to have any interest-free loans or anything like that that would be something on our side.

A. If you applied under ILAP in Brantford, is your application still valid and being considered?

Q. Yes, it is. We don't necessarily have to act on it if it's approved.

A. No, you don't have to.

Q. So, there is nothing like that for Hamilton-Wentworth? We're not considered a disaster area yet?

A. Not at present there isn't. Under the new program, if as and when it becomes law, there probably would be. If you are in warehousing and that is considered a service directly providing a need to the manufacturing sector you fall in, you can be considered for assistance. You don't get a lot of Brownie points, but you can be considered if you are vital to the industrial area.

Q. So, now we have to wait until this becomes law? This is just the new one that is coming out?

A. Right now, it hasn't even been tabled before the House. I think they are still deliberating.



Q. So we should just kind of wait and see what develops?

A. As far as this is concerned, but I think the commissioner can advise you, as you said, on what's available through your local facilities.

Right now we don't have a program to give you any incentive for Hamilton. Brantford, yes.

Q. Okay, thank you.

MODERATOR:

Well, there have to be other questions from you out there.

Q. My name is Mike McKeon and I'm a student at McMaster University. I'm doing some work for the Hamilton community this summer, and I have a question that I don't know to whom to address it, but is there a permanent committee in Hamilton that attempts to attract small businesses or even larger ones into Hamilton rather than waiting for businesses to approach Hamilton? Any businesses that would increase employment opportunities in Hamilton?

A. The answer to that, I guess, goes back almost 10 years to when the first study was done on the city. It was by Woods, Gordon, called the Steel Study. Basically, it said that you can't count forever on a Steel Industry in terms of job creation in the Hamilton area. That was fouled up in 1978 by the Craig, Coopers, and Lybrand study. The Craig, Coopers and Lybrand study basically analyzed the problems, perceived and real, within the region in terms of attracting business into the region.

One of those problems related to small business and that was that there wasn't enough service industry development in the region and they pointed to two reasons for that. One, the proximity to Toronto, and that in many ways it is easy to service Hamilton out of a single office in Toronto



which was really a kind of rationalization that impacts on us here. And, secondly, the perceived images, back at that time, of Hamilton being a place that doesn't have a good quality of life. Now, out of that study, rose what is currently our Economic Development Department. Part of what is done is a marketing program ... in specific business-oriented publications in Canada, the United States and other areas, to go after the types of businesses we need. There are nine sector areas that are target areas. So, we go after target-area businesses that, for a variety of reasons, should be here or aren't currently here and there would be markets for them. In conjunction with that, we have a staff economist. We wrote all the franchising companies in a specific area saying, "Look, you don't have a franchise here, you should be coming here and looking at this market." As a result, I think we now have eight or nine Video Stations. Not much, but each one of those creates two or three full-time jobs and part-time jobs. So there is an active on-going program in that area.

We also work in conjunction with the McMaster MBA students in terms of their consulting program for small industry and with Dr. Deal and others at the university in that area.

We're currently examining a program directed at Toronto in terms of having business people in the Toronto market look more closely at locating here because our office-cost per employee is something to take back to all of your companies. The office-cost per employee, locating in downtown Hamilton, in a similar quality building to locating in downtown Toronto, in a similar quality building, is about a \$300 per month, per employee, less here. When you start looking at housing prices, locating here, you get the same quality of life, or better, in terms of being able to be in a conservation



area, or whatever, within minutes here versus sometimes ten's of minutes or sometimes hours in Toronto. And a house price at about 30 to 40 percent less. So, these things are packaged and we specifically go after target areas. So, the answer is "yes," to the extent that we should or could be doing it.

Q. Do you have any material published on your results for the past couple of years?

A. Yes, we publish a quarterly report and an annual report which lists all of the companies that have made a decision to come into the region. It lists all of the leads, prospects, suspects, what have you by number, and the reason and analysis when somebody says that they don't want to locate here, etc. I think we break it into nine categories and give the results to the Committee and to the Council as to why people have not located here, have not made a decision, economic circumstances, etc. It is a very detailed reporting structure that goes back through to the Economic Development Committee and Council to let the Committee and Council know what's happening. And that annual report is published and forwarded to a whole variety of people across the region and the country.

Q. Could I get a copy of your reports after?

A. Yes, I have a feeling that there is a guy sitting a few back from you who is going to rush over and give you his card in a few minutes and we'll get that to you.

Q. Thanks very much.

A. See, he's already approaching you.



Q. Peter Hall, Humphreys, McCaw, Industrial/Commercial Real Estate. John, when I hear the word ILAP come up, and of course, Hamilton is not a part of it, I think there is a certain amount of industry that is confused. I see lots of industry every day and they talk about "We are relocating; we are going to move to Brantford." If it could be cleared up today for the benefit of the manufacturers that are here, it's my understanding that you cannot relocate from a certain area and move to Brantford and take advantage of the ILAP funding. One must come up with new jobs and a new proposition. That's the first one. The second one is that there is rumour that I have not had confirmed, over the last two months, about a program for conversion of old plants from bunker "C" oil to gas. I can't seem to get anything on paper about it, and I'd appreciate anything that you folks could offer.

A. May I comment on the ILAP. The ILAP is drawing to an end, as you know, as a program, and you are quite correct it is against closing a plant down in one place and moving to any ILAP area. If you are establishing a new company in Brantford, and you are contemplating Brantford, Oxford, Hamilton, Mississauga, it is fair ball to tilt it into Brantford. Do you want to answer the other one?

I think the other comment is ILAP was always available here providing you were in certain industries. If you are in an automotive-related industry, or can prove that, I think, that more than 60 percent of your product line was automotive-related, you were eligible for ILAP application and, secondly, I believe if it was in housing maintenance, furniture, I'm sorry white goods, in major appliances, you could also apply for ILAP assistance, so that there was some of that currently available, although, again, I understand that the ILAP program, for all intents and purposes, is now dead or on the verge of it. They have no more money.



My interpretation of my Minister's view is that this new program has four tiers, where all of Canada is designated. Areas that are worse off than others can have a more enriched program. That really makes ILAP redundant. There is another program, however, that serves the Canadian Industrial Renewal Board, that, in communities in Ontario, Cornwall and Hawksebury applies to the textile, shoe, and leather industry; and those industries in Hamilton, could get assistance under that program in Hamilton. It's not just ILAP, there is another one as well that you should be aware of.

I might answer with regard to the off-oil program. The Ontario Energy Conservation off-oil program died because we had spent the \$10 million that was set up for industry. There is, however, the federal off-bunker-oil to gas program. If you give me your card, I'll send you some literature on it.

HON. JOHN MUNRO:

Mr. Chairman, can I make one quick comment? I couldn't turn down the opportunity after hearing Mr. Maxwell talk about ILAP. Hamilton is not part of ILAP under the community Ministry. As an awful lot of communities in the country, and in Ontario, because the rate of unemployment is not high enough. We did qualify, have qualified, under various sectors, John Morand indicated appliances. We have an application in and the only reason it is not decided yet is because they have slowed up on it. We can't go into the new program Mr. Blackwood is talking about because many of the communities were not happy, as we all know with the community designated aspect of ILAP, especially the regions that were not designated. And Hamilton is one. We objected most strenuously to this type of designation, so we've done away with it the approach that Mr. Blackwood was talking about. There will be a lot more applications probably coming from businessmen who



qualify in this particular region under the new consolidation program and it's identified pretty well in the bit from Industry, Trade, and Commerce. But Hamilton is certainly, on a per capita basis, doing as well as any other community. I think, under ILAP, under the sectorial approach, Tridon Industries, in Burlington, as you recall are restructuring there. They had to be competitive with new technology and they are in the forefront in that particular area. Two or three million is granted in linear technology in the Burlington area. Firestone concluded today, more than 15 million out of the private sector ... \$39.6 million is all for expanding in Hamilton.

A. Mr. Minister, it'd be the other way around, tier one. I'm not free to, my Minister strictly forbade any comment or speculation as to which area may be tier 1, 2, 3, or 4, but as you said, it would be most logical that the more or less robust industrial heartland of Southern Ontario will most likely be tier 1 designation, I would think.

But, there are contentious pockets within that area. The tier basis is based on three criteria. Unemployment over the last three, the level of income or the level of retained earnings and the fiscal capacity of the province. And it's done by StatsCan districts, not by electoral districts so sometimes you'll find an area where the statistics for that district are okay, but you may find one community in there that really is suffering, and, under the present formula, there is no mechanism to deal with that particular community. It gets into the averages of the area.



Now, my Minister has indicated that nothing is perfect and we've got to start somewhere and this is subject to review on an annual basis so I think that there will probably be refinements as the program is put into effect. It certainly is flexible, it is one-stop shopping, it's discretionary, it really is a new ball game. I think that the industrial community in Hamilton will find that there is a fresher breath of air, in dealing with this program. We're certainly, as federal employees dealing with industrial development, are very, very pleased with the fact that it has been knocked down into simple, understandable business-like jargon and mode; but if there is any anomaly in it that is unjust, unfair, I'm sure my Minister, and you can vouch for this, sir, would reconsider and adjust. Is that fair? The specifics of the program are there, some new releases on this in this kit. I have all the details here, I just didn't want to bore you with ... If there are any questions about modernization or expansion or marketing, I can give you the details. The details are in your kit.

One of the nice things about this program is that it is not drawn in a whole bunch of tight little circles. It is discretionary and, basically, it is designed to address any legitimate business need where an investment will not take place because of a very definite obstacle to that investment. Now, that is if the person's equity, plus what the bank will give him, the circle isn't complete, the program is designed to complete the circle. There are some basic criteria, maybe I can just mention what they are. They are just sound business criteria. Incrementality; no project may be supported unless it would likely not proceed in so far as locations, scope or timing is concerned, unless support is provided. That is fundamental. If it is judged that the investments are going to go ahead, the taxpayers' money will not be brought forward, we'll say "Good luck, Charlie, I'm glad you are



doing so well and your bank is so supportive." No assistance. The other basic benchmark that any venture capitalist would look at is commercial and economic viability. No project, and persons undertaking the project, must be considered to be economically and commercially viable within reasonable bounds and risk. So, the rules are business-like, they are sensible, they are intended to husband, prudently, the taxpayers' money and yet look realistically at the real problems facing the investor.

HON. JOHN MUNRO:

I just wanted to make one correction, Mr. Chairman. You are quite right, the matter that is in the kit, Industrial Regional Development talks about ILAP, talks about the four tiers, you are quite right. I think it was back in April, and the reason for your hesitance; I hope I haven't embarrassed you. I'd like all of the people here to be aware that this is one of the most significant programs. Mr. Lumley will probably be announcing it any day. There may be details to iron out ... the material you see in your kit. These proceedings, which are all on tape will be sent out to you.

A. Thank you, Mr. Minister. One comment I will make, just as a follow-up to what was said, was that one of the things our department will do is tell you that what you don't say in an application is more important than what you do say. I'll give you one example of that. We had a group in who were looking to relocate a facility here, and we spent the better part of six months working with them. This was a provincial grant and thousands of dollars had been spent on accountants putting together the business plan and thousands of dollars had been spent on trips to the United States for market development study. We came to the final meeting with the senior officials, the Ontario government, we had a hot-shot lawyer from Quebec there to show everybody how it was done. We sat down at the meeting,



everybody was agreeable, we were going to be creating a couple of hundred jobs and the incremental side of it is very important in terms of ODC, in terms of whether or not you would do it in any event; and what that hot-shot lawyer from Quebec said was, "Well, we don't really need you in any event, we just like your \$650 000, and we are probably going to do it anyways," at which point, quite appropriately, and properly, the assistant deputy-minister sitting in on the meeting said, "Thank you gentlemen," got up, shook hands with him and walked out. There went a couple of hundred jobs. There went a couple of months work of a couple of people. At that point, it was just too late to bring it back.

So, it is very important. And that's why we suggest that you sit down and talk to people who have been through it whether it is somebody from my department or one of your confers in the business community. Find out what to say, as well as what not to say. Writing grant applications is very important. The way in which you write them is very important because you have to fit your requirements to the outline of the requirements of the program. And it is just amazing how that can be done if you sit down with people who have been through it before and work on it.

There are two points that I would like to make. I got a phone call the other day from a chap who said, "Look, we are doing very well. Our sales are doubled from last year, we've broken into four export markets, etc., etc. We don't need any money, but we wondered if there were some freebies around." I said, "Well, by that comment you are saving both your time and mine, because there aren't any freebies around." Another comment I'd like to make, and it is a judgmental factor, a very important one, most of the officers you'll deal with in my department are ex-private-sector businessmen. And they've had to meet payrolls. I was at a seminar the other



day on private-company investment, financing private companies. And the president of one of the venture capital firms got up and he was outlining in his speech the various things they look for in a company if they are going to put venture funds into it. And he ended up his talk by saying in spite of everything I've said up there, the four most important things we look at when we look at a company are management, management, management, management. And that's the bottom line, really it is. It is hard to measure but we do the same thing. You can have all the facts right, we have a lot of creative accountants out there, but we do take a very, very hard look at the management of a company and their track record.

Q. My question is related to the public sector rather than private business at this time. My name is Ed Murphy, and I'm the Director of Planning and Development of the Township of Flamboro. In co-operation with the region we are trying to develop a five- to six-hundred acre industrial business park. We've just completed a water-management study, storm-water-management study, which tells us that we are going to have to spend about six million dollars to come in with a storm-water-management system for that industrial business park.

The industrial business park could provide the potential for jobs of somewhere in the area of 8 000 jobs. What I'm looking for is, is there any avenue of assistance for a municipality which does not have large capital resources to put in a structure specifically in this case related to storm-water management; because, in fact, the region, of course, has responsibility for putting in sewer and water and that is already committed. But the municipality is responsible for putting in a storm-management system, and we see the total of six million being a little bit beyond us at this point.



A. Perhaps I'll try that one. The short answer is, "No." We do have a program that would help you put in park services within your park boundaries for sewer and water. It's a loan program. You'd have to pay us back, but we would defer payment over five years while you tried to sell off the land. None of this applies to services outside the boundaries of your industrial park. Anything you bring to the park, you have to finance through your normal methods.

Q. Does that include storm-water services? Within the boundaries of the park? You said sewer and water, and I want to be sure we are talking about the same thing.

A. It will also cover roads, and, I believe, it will cover storm-water management, but only within the park boundaries.

Q. Who do I contact to find out information about ...

A. Since you are in Flamboro, and we work on a geographic basis, Arnold Sandler, the man on my extreme right is the man to contact.

Q. Thank you.

A. Just a moment, applications have been made in that area by the region and the program is designed, in part, to meet a requirement where there is not sufficient serviced, available industrial land. For a variety of reasons, regional governments are treated on the basis of land available across the entire region.



About eighteen months ago, the region itself made application to that program, and I believe three private landowners made application to that program and it was ruled, at that point, there was sufficient available serviced industrial land in the region. I think we came to a number of about 800 acres, at that point, but the Province of Ontario, on the recommendation of I've forgotten which of the areas, was not in a position to recommend. The other point, Ed, is that you have to have in place, to qualify for that, 5 000 gallons per minute of water flow at 45 pounds per square inch residual pressure before you can qualify for the program, because you have to meet the fire code requirements. And, in the particular park that you are talking about, as well as the one at Duff's Corners, as well as the one at Glanbrook, we didn't have sufficient water pressure to meet that requirement. Secondly, you need, which you would have in your instance, a qualified regional road which would have load-bearing requirements. Again, there are some very stringent and strict requirements on that program. We'd have to get the Ministry to agree to split out Flamboro, unless those requirements have changed.

No, they haven't changed and they are there for good reason. The Province would not put money in, even on a loan basis, for land that isn't likely to be sold in the reasonably near future.

Q. I have some general awareness of the region as a previous application, but I was not aware that, in any way, it would cover storm-water services, since that's not really under the jurisdiction of the region; and that's why we are looking for something to cover that.



I'm Patrick Birmingham, of Birmingham Incorporation. We manufacture construction equipment; which we sell mainly to the U.S. market. What I would like to ask is does your department have a preference for the way that you would spend money or offer money in a case where we are about to develop?

We would like to develop a new product that isn't manufactured anywhere in North America and it requires quite a bit of development, and equipment, and so on to manufacture it. Do you have a preference to putting the money into the development as opposed to splitting it up over all the various costs that need to be met ... development and production and so on?

We'll dance every dance with you. I'd say that in the high risk early stage of development we would tend to be more generous, and then as the risk factor started to evaporate, we would expect that your banks and you would start running more and more with it.

May I ask another question at the risk of being ignorant because I am late? Where can I get a written outline of the various grants that are available?

Well, as the Minister, Mr. Munro said, there is a document in this which outlines the elements of the new program right through from innovation, productivity, improvement, marketing, etc. All the elements are there. Some of the figures on the tiers, (tiers 1, 2, 3, 4,) have since been modified. I'm not, at this stage, aware as to what changes have been made. But, the essential elements of what kind of issues we will address and how, are in that document. Productivity developing



design of a new product is very much of extreme interest since you are export-oriented as you presently stand. If it's a unique product, one thing we emphasize a great deal is that if you are looking at a new product we want you to satisfy yourself, and ourselves, that you really have looked at the market; and that you have designed your product for the known needs and tastes of the market.

Q. In this case, it's quite a guaranteed market because it's government legislation which restricts noise and pollution factors which is forcing the need to use this piece of equipment.

A. You must have the banks lined up at your door.

Q. Not so, because people aren't up to this point, just willing to side-step it.

A. Well, we'll hold your hand and walk you to the front door of the bank. We'll be glad to sit down with you on that whole high risk initial design stage and see where you are at, and what your fiscal capacity is; and deal fairly and honestly with you as a businessman would. Where are you located?

Q. It's at Wellington Street in Hamilton. Thank you.

A. Why don't you pop in and we'll have a discussion.

By the way, there are more "Pendee" applications forms in the back. There were two I gave you, the one short form, the other a long form. You can just fill it in and send it along.

Q. My name is Pat Vandersloat and I'm with an aluminum foundry, here in Hamilton. The question I have is on the program for Export Market Development.



We do not have a product line, as such. We're more in the jobbing line. We have a customer in the American market, in the south-western states, that formerly had a foundry just about 90 miles from his own operation doing all their castings. He's now with our company, shipping the stuff down there to him. He is in the process of broadening into the British market; to which we are currently shipping castings. And we are working with the Export Bureau as well. We would also like to get into the European market, but, as I said, we haven't a specific product. We just like to make other people's products. Is there anyway we would qualify for this program?

A. Yes, you would. If consulting engineers qualify, I don't know why you wouldn't. If you have a capacity to produce a product and you have identified where you think customers may be to whom you could sell production capacity and expertise and design products for their needs, you are thoroughly qualified under the "Pendee" program. The forms are at the back of the room, and I'd pick them up if I were you.

B. I've got some, thank you.

A. You are welcome.

I even see a face here from McMaster. I'd like to mention to the lady that we have a publication that goes to manufacturers across Ontario listing companies who have capacity to produce a given product or given service and other manufacturers will read this and, through our central office in Toronto, we can put it all together. That's in a sense, production capacity. We also have, in that bulletin, listings of companies who are looking for other companies to produce components for them. If you are not on that mailing list, please let us know and we will put you on it. You might find that an advantage.



Q. My company is Lomar Associates, in Burlington. We are licensing consultants. I was wondering if, under this new program the federal government has coming out, I have clients, for example in Canada, and just not necessarily Ontario, who are anxious to get new products under license but are faced with front money, a need for tooling costs, etc. Is there any method within this new program that would provide some assistance to them? A new product means new jobs and with, according to the newspapers, the average company operating at about 60 percent capacity, there is 40 percent to fill. And to fill it you need products. I don't really believe, while the economy may be improving, that it is going to fill that 40 percent in a hurry. So, the logical thing is to find products to put into a company that are complementary and that will pick up employment quickly. I just was curious as to whether or not this has been considered?

A. Let me understand your question. You're talking about acquiring manufacturing rights for a client to manufacture a product under license, and that requires certain re-tooling and the purchase of tools, a renewal of machinery. It is very much qualified.

Q. And how about, say a share, what about the front money to acquire that license which becomes an asset to the government?

A. That would be considered, in my judgment, in your proposal as part of the total cost. You'd capitalize that as a cost.

Q. And that might well be covered under the program?

A. In my judgment, I would think it would be. I would certainly say "yes" to that, but I still haven't seen the fine details of the conditions and terms; but I would guess it certainly would qualify from my interpretation of the policy statements. It's logical.



Q. A lot of the companies that are looking for products are small to medium-sized. They really don't have research and development or any ongoing method of getting new products.

A. So they would require a patent.

Q. That's right, and the only way they can do it, to take the risk out, is to get something that is made elsewhere that is proven. And it makes a lot of sense and also means that it can be done quickly, because they wind up with all the information they need before they ever sign their name.

A. But one of the main objectives of this program is to encourage more import replacement activity and that is a legitimage cost of being able to produce, not just the machinery and the dies, but the actual cost of acquiring that right is a legitimate cost. We cover the cost of moving machinery so why not cover the cost of acquiring the right to produce a product? I see no problems with that.

Q. Have you any ideas when this may come into force so that people can make use of it? I've people sitting around, frankly chomping at the bit, to get going but they just lack the funds.

A. Well, they have to have some funds, too, you know, it's not a free ride.

Q. I understand that.

A. We can go up to 50 percent assistance and, in some cases, 25, and others up to 60 percent. I only have to guess that the intention of my Minister and Government is sooner rather than later. I was advised they were trying to get the new bill tabled this week. When I left Toronto, a couple of hours ago, it hadn't been tabled yet. So, I would say any day it will be tabled. Then there'll be a first reading and a second reading. I



know the Minister was hoping to get it through before July.

Q. I would say that that would help, because I don't think anybody is looking for a complete 100 percent hand-out, but what they are looking for is some assistance as it is something new to them, and they are not familiar with the process in the first place. It is a very quick way of putting people to work.

A. Anyone who is looking for 100 percent money better change what he is smoking, because there is not enough funding.

Q. I'd like to direct my question to Mr. Graham. My understanding is that there is one consultant from IT & C in Hamilton, and he's located, I could be wrong, in this particular building on the third floor, and he deals mainly with exports. Is there a possibility, in the future, of having two or three consultants stationed here in Hamilton?

A. If there is somebody in IT & C in Hamilton, I don't know where he is picking up his paycheque, because I am not aware of him.

Q. Well, he visited me today.

A. I sent him up to you. He is a student in IT&C's summer student program. He is going around mostly following up on "Pendees", what has happened and things of that nature. I think that answers your question.

We are going to have an office in London and an office in eastern Ontario. We've got one in Thunder Bay, one in Sudbury, and one in Toronto. Those are the five offices in the new department.

Q. Is there any reason why Hamilton hasn't been chosen?



A. Too close to Toronto.

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MODERATOR:

Any further questions? I think that if there are no further questions, most of you have businesses you are trying to run, and particularly smaller businesses, and time spent away from them is extremely valuable.

So, I'd like to thank everyone who has participated with us today. Hopefully, what we did today is give you some basic answers and told you who to see and some of the approaches to take when you see them.

And, certainly, if I can speak on behalf of the other people on the panel, we are looking forward to dealing with you and helping you in any way possible to create jobs and, more importantly, make lots of money so you can reinvest it.

Thank you, very much.







SMALL BUSINESS

MODERATOR: Joyce Mongeon, Prominent Hamilton Businesswoman

PANELISTS: Robert Allison, Director of Regional Development, Small  
Business & Tourism, (ITC/DREE)

Ray Frizell, District Manager, Federal Business Development  
Bank, Toronto

Tony Giggins, Federal Business Development Bank, Hamilton

Peter Meyers, Co-ordinator, Counselling Assistance to  
Small Enterprises (CASE)

John Taggard, Manager of the Investment Division of the  
Federal Business Development Bank

Wednesday Afternoon, June 22, 1983



SMALL BUSINESSMODERATOR:

... Hopefully, you will have some answers, and get some new ideas by the time that this particular workshop ends this afternoon.

We have all watched, with concern, the many bankruptcies, layoffs, and plant closings that have led to a very large number of unemployed in this area. I think we had one of the highest rates for Canada at some point this winter.

We still have the serious problem of finding jobs to satisfy all of the unemployed; however, we have definitely come to the end of the gloom period. The economy in Canada has definitely picked up, and if we, in this region, are to enjoy the benefits of this economic upturn, we must be more aggressive in promoting our own interests, and we must take advantage of all national economic growth initiatives.

I'll repeat this: If this region is to grow, we must get our share of the government dollars being made available, and to do this, we must have absolute confidence in ourselves and in this city. Small business was unfairly affected by the recession of the last few years. Not only were we constantly bombarded with new regulations and restrictions from every stream of government, but budgets kept changing, taxes kept increasing, and we had to cope with an increasing workload. At the same time, our sales kept



falling off, and to all this, the very high interest rates of the last two years were disastrous. I suppose you could say it is a real miracle that more of us didn't get finished off. Now, it appears there is a change of philosophy, and governments are looking to small business for the economic turnaround. And why not? Small businesses are usually labour-intensive, so that's where government finds the jobs for all the unemployed. It is small business that serves tourism best - the demand for motels, restaurants, amusement and entertainment parks - and government needs all the foreign currency it can get. Finally, it is small business that is the spawning ground for larger enterprises, and government surely wants that. So, if small business has been most affected by the downturn in the economy, it needs the most assistance to get back on target. Governments have finally recognized this, and that is why this panel has been invited to meet with you today. I'd like to introduce myself; I am Joyce Mongeon, a resident of Hamilton. I am a manufacturer, a restaurateur, a landlord, and a retailer, a small business entrepreneur.

We have here with us today, Robert J. Allison, Director of Regional Development, (DREE); Ray Frizell, Assistant General Manager, Federal Business Development Bank, from Toronto; his Hamilton manager, Tony Giggins, manager for Hamilton, for the Federal Business Development Bank; Peter Meyers, Co-ordinator, Counselling Assistance to Small Enterprises or CASE; and John Taggard, who is also with the Business Development Bank, but is Manager of the Investment Arm of that Bank. I would now ask for Mr. Ray Frizell to come up to the podium and introduce, or make, a presentation that he has. It is a slide presentation, so perhaps some of you, to see better,



would want to come forward. There will be a second presentation by Mr. Meyers; the other gentlemen may want to say a few words, and then we will invite some questions from the floor. If you are shy about coming up to the microphone to pose your questions, you may want to write them out, and we will have people going through the audience picking them up and bringing them up to the front. Ray Frizell.

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RAY FRIZELL:

Thank you, Joyce. While Tony is working his way down to the lights, I will echo the welcome that Joyce just extended, and say that I think that this conference today is very timely from our standpoint, particularly, as in the recent past weeks, there has been a bit of press about the Federal Business Development Bank, and some of the new role that the government sees it playing to help assist in the recovery of our economy. So, my pleasant chore today is not only to advise you a little bit about what the Federal Business Development Bank is now doing, but what we intend to be able to do as well under this new mandate, or the expanded mandate with which we have just been provided.

As you may know, the Federal Business Development Bank, FBDB as we are known, is a Crown Corporation. It was created to try and promote and assist in the establishment and development of all types of business enterprises in Canada; and we are attempting to do that by providing both financial and management services. I think it is important at this point to emphasize that the FBDB supplements the services that are available from the private sector, and we attempt to pay particular attention to the needs of small and medium-sized businesses.



As I mentioned, the bank very recently received a new mandate from the Government, which reiterates its traditional role, but it also contains some significant changes which modify, I think in important ways, the services and the products which the Bank is now able to offer its customers across Canada. There are basically three services that the Bank now offers: financial services, investment banking, and management services, and we have representatives here today from each of these areas of business. Financial services primarily consist of term loans, and a new financial planning program. Our investment banking function covers the following areas: full syndication to others, underwriting, what we call syndication, venture capital investment, and participating in both mergers and acquisitions. On the management services side, the Bank offers counselling. We provide management training programs, and we provide information. Perhaps, though, we should backtrack a little bit, and look at what these services entail in a little more detail.

A major portion of our financial services consists of term lending, including guarantees. Term loans are extended to customers to allow them to acquire fixed assets, such as land and buildings, machinery and equipment, that sort of thing. In addition, FBDB also provides working capital loans, as well as loans to finance changes of ownership and some refinancing. Under its new mandate, FBDB will broaden the range of options that it offers in the field of term lending. It will have term loans with interest rates fixed for one, two, three, four, or five years, as well as floating rate loans that can be switched to fixed rate at the borrower's option. FBDB will establish its interest rates at a half to one percent above the interest



rates that are charged by other institutions for comparable risk. I mentioned earlier that we are supplementary lender and this is one of the checks we have in the system to ensure that you, in fact, can't get the assistance you need elsewhere on reasonable terms and conditions. We also attach greater importance to serving rural and semi-urban areas. The Bank will no longer require these letters of refusal from other lenders indicating that funds weren't available. It will, however, continue to assure itself that applicants have not, or cannot, receive the financing they require elsewhere. We will continue, as we have in the past, to view each financing proposal with the borrower's charter banker, and this gives him an opportunity, if he likes, to jump in and provide the assistance that you are looking for.

At March 31, which is our fiscal year end, FBDB had approximately 31 000 clients on the books for a total of \$1.9 billion outstanding. During the year, we authorized 3 436 loans, totaling approximately \$370 million. The loans were used for a variety of reasons, but primarily, as far as a breakdown goes, 45 percent went towards the purchase of fixed assets; another 13 percent towards working capital; loans for changes of ownership accounted for 16.5 percent; and refinancing, 17.4 percent. Another 7.6 percent were picked up in miscellaneous areas.

The new mandate will also provide FBDB with \$2 million, to provide a new service which is designed to assist small and medium-sized firms in preparing and presenting their business plans. This service is called a Financial Planning Program, and, basically, it consists of a series of do-it-yourself financial planning kits. Secondly, a packaging service through which FBDB, at the request of a client, and in co-operation with the firm's professional advisors will draw up a business analysis, containing



all of the types of information and material that a financial institute would require to properly assess a request for financing. The third aspect of this financial planning program is what we call a mediation service, and the Bank here will act as a go-between to obtain the required assistance, financial, or otherwise from other lenders on behalf of its clients. The financial planning program will be made available in each of the provinces on an experimental basis, and at the present time, our Mississauga office that has just recently been opened in Square One is equipped to handle your requests for this type of service.

A \$90 million appropriation over three years will also permit FBDB to initiate an expanded investment banking function, to assist Canadian businesses with growth potential. In co-operation with the private sector, FBDB will act as a catalyst in an attempt to attract more equity financing from private financial institutions. Although our financial participation is intended to be temporary in nature, it will be, for a period of time, sufficient to provide durable benefit to the company and a return to the bank commensurate with the risk it is being asked to assume. The Bank will actively seek constructive opportunities to divest itself of its holdings in order to recycle its funds to other promising businesses.

Our investment banking function activities will include the following areas: The full syndication to others, underwritings, syndication, venture capital investment, and mergers and acquisitions. By full syndication to others, we mean the FBDB will act as an agent in the syndication of investment proposals to others for a fee. In the area of underwriting, the Bank will participate as a principal in the underwriting of a client's



security issues. In its syndication activities, FBDB will participate as a principal in a syndicate which is put together solely for the purpose of investing in a promising business enterprise. For its venture capital investments, the Bank will participate as a principal in the provision of investment capital, again in a promising business. Finally, in our mergers and acquisitions, we will participate with private sector specialists. We may act as an agent, a negotiator, or an advisor on a fee basis to assist with such transactions. All of these activities which I have mentioned may include or exclude the other services available from the Bank.

By way of background, at April, 1983, the Bank had 78 investment customers. The book value of our portfolio was \$29 million. In '82 - '83, FBDB authorized 17 investments totalling \$11 million dollars. The Bank provides assistance at various stages of development of a business enterprise, including startups, turnarounds, changes of ownership, etc. The bulk of the Bank's investment is committed to manufacturing, including high technology. As far as ownership goes, the percentage on the part of the Bank is usually in the range of 15 to 35 percent. We always call for directorships; however, while we retain the right to appoint a director to the board, we do not always insist that the Bank be represented on the board.

Investment banking services are available to promising small and medium-sized businesses located in Canada. The management services offered by the Bank to the small and medium-sized business community cover three main areas: counselling, training, and information. This latter area, the information is the area that is most affected by the Bank's new mandate, and we will get back to that in a second.



Our CASE service, which stands for Counselling Assistance to Small Enterprise utilizes the expertise of over 1 500 retired business people to assist firms to improve their own methods of doing business. In 1982 - 83, CASE counsellors completed over 12 000 assignments. A breakdown roughly would put the assistance of say, 43 percent in the financial analysis area; another 47 percent to assist in solving operational problems businessmen had; and ten percent for marketing assistance. CASE does not restrict itself to trouble shooting in only existing businesses. Last year, over 27 percent of assignments were for startup situations. The Bank's management services division also organizes training activities for business people and these include in FBDB jargon, business management seminars, joint seminars, owner-manager courses, management clinics and workshops. The FBDB conducts business management seminars all across Canada. In '82 - '83, we held 1270 one-day seminars and 573 half-day seminars, and as it mentions there, they were mostly done in the smaller centers of the country. In Ontario, here, we conducted 376 seminars, more than one every business day, or every day of the year actually, in Ontario alone. These were attended by over 7 000 persons. FBDB joint seminars are especially adapted seminars that have been developed in collaboration with associations or industrial groups. Five were developed last year, and others are currently being planned. The Bank also developed and publishes owner-manager courses for the provincial and territorial departments of Ministries of Education. These courses are used in adult education programs which are conducted in Community Colleges across Canada. Last year, over 25 000 persons participated in these courses. In addition, we also offer management clinics, which combine a videotape and a



workbook as a self-teaching management program. This type of assistance is available at each of the FBDB branch offices, and to date, some 12 500 individuals have taken advantage of these clinics. The Bank also develops workshops to suit local or specific needs. This type of workshop generally runs from one to four hours and it focuses on a specific business problem that a specific group has brought to our attention, so it has been designed specifically for them to solve a specific need. Information is the third activity within the management services division of the Bank. It includes the small business information services, a sector for publications, and a quarterly tabloid entitled Profits which it distributes widely amongst businesses in Canada. Moreover, it is this area of our management services which is most affected by our new mandate.

At each of our FBDB offices, the small business information program provides up-to-date on government programs for business. In '82 - '83, we received over 20 000 inquiries which resulted in over 75 000 referrals to various government programs. The new mandate provides us with \$3 million to computerize and expand this information on government programs to include information from Statistics Canada, from various trade associations, and other public and private sources. This service will become the center for business information in Canada, a one-stop shop concept.

In the field of publications, FBDB's pocket book series, Minding Your Own Business covers topics relating to the management of business in Canada. Each volume in the series is available at a nominal charge from our branches. We also publish a free quarterly tabloid, called Profits, including small business news. This tabloid is distributed to over 750 000



business operators across Canada to keep them posted on business information. That is, in a nutshell, a brief outline of what we are presently doing, and what we hope to do and what we are ready to do right now under our expanded mandate. One of the programs that I touched on several times, was our counselling assistance to small enterprise, and I think it is a program that is not utilised enough. We have the expertise available in the persons of retired individuals who have spent a lifetime in a specific industry, people that are quite prepared to come, not out of any monetary gain, but simply out of a sense of desire to help others that are having the same types of problems that they themselves had to cope with just a short while ago. We thought it would be very useful to have the man from CASE, our Hamilton CASE co-ordinator, provide a little bit of background on this program. Mr. Peter Meyers is the Hamilton CASE co-ordinator, himself a retired Hamilton businessman. Peter.

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PETER MEYERS:

Thanks. The Man from CASE sounds like a TV program. First, briefly, I am going to show you a film which I think better describes CASE than anything I can say up here, but just to run through briefly and elaborate on what I have already told you, CASE is a part of the Federal Business Development Bank. We do not have anything to do with the loan activity of the bank. We are solely counsellors and retired businessmen. I am the co-ordinator of the CASE program in Hamilton, and I have been a citizen of Burlington for over 20 years, retired recently from Firestone.



We have 38 counsellors in the Hamilton CASE program, with all expertises, be it accounting, marketing, production, feasibility studies, whatever. We have a counsellor that would be able to assist almost any small business. If the counsellor, the appropriate counsellor is not available in the Hamilton office, we also have the ability to call on other CASE offices in the vicinity to get the proper counsellor to suit the need.

The clients, in the Hamilton area, (we handled close to 500 cases last year) average about 50 clients per month. In the clients that we handle, the only criteria is that we do not handle any business with over 75 employees; so we counsel any business with one to 75 employees. As stated in the film, 30 percent of our clients are startups; it is becoming very apparent that many more people are endeavoring to enter into business, so we do a lot of feasibility studies, and help people start their own business. You will see in the film that they mention the rate, and this film is an interview on CHCH - TV which was done about a year-and-a-half ago between a client and a counsellor by the TV station. You will notice on the film that they mention the costs at, I believe they say \$8 an hour; it is now \$13.25 an hour while the client is being counselled. The client does not pay for any travelling time nor travelling expense, so it is a very, very reasonable charge. Without further ado, I will show you this film, which I think gives you a better outline of CASE than anything I can say. The counsellor in this film is still a counsellor in the Hamilton area.



UNIDENTIFIED SPEAKER:

First of all, congratulations to my colleagues at the bank. That was pretty good presentation, the first one anyway, and the second I am sure as good. I think that's relatively new, is it not, Ray?

RAY FRIZELL:

The presentation? Yes, it is a couple of days old.

ROBERT ALLISON:

For me, it's a real pleasure to come back to Hamilton. I am a maritimer, but I went to school here, McMaster, several years ago, I am not going to say how many, but Joe Kostyk was one of my colleagues while I was at Mac. If you know Joe, who is a Special Assistant to Mr. Munro, you will get some idea how many years ago it was. I was very pleasantly surprised with the progress that's been made here in Hamilton. This Conference Center, for example, just a beautiful place, you should be truly proud, and I am sure you are.

As Joyce has said, I am from Industry, Trade, and Commerce, DREE, and in the package which all of you have received, there is a section that deals with the Industry and Trade Development program. Let me just say a few words about the background of that, so you will have a better understanding of what is happening. I get a number of calls from people, and they say, what is going on here; is it Industry, Trade & Commerce, or is it Regional Economic Expansion?



In January, 1982, the Prime Minister indicated that he wanted to have those departments and agencies that are involved in the economic envelope, and by an economic envelope, I mean the various departments that have in their mandate regional and economical development, to reassess their positions, and to make greater efforts in order that the recovery could be speeded up, and also to bring a better balance to the region.

I was with Regional Economic Expansion, still am, officially, for several years now, and I have moved from the West Coast to the East. My posting prior to coming to Toronto, was St. John's, Newfoundland, and Labrador, and believe me, it's a big difference coming from those areas where disparities are quite considerable, very slow growth, into the industrial heartland of the country.

In his announcement in January, the Prime Minister also indicated that, as a starter, he was to merge the Department of Industry, Trade, & Commerce with Regional Economic Expansion. In doing so, he was to develop the Department of Regional Industrial Expansion, now commonly called DRIE. This merger has been going on over the past year. Two departments have co-located, that is, we are in the same offices, and that process was completed about two months ago. One of the first tasks that we had to do was to inventory and find out how many programs each department had, and where they were overlapping. To our surprise, for some of us anyway, it was something in the order of 170 different programs. We have now reduced that to seven programs. The cornerstone is to be called Industry and Regional Development Program. It will be a core program, and that is the program that is highlighted in your package. There are six other programs that will still



kept in effect: the Defense Incentive Program (DIP); Shipbuilding Assistance Program (SEAP); CIRB, the Canadian Industrial Renewal Board; GDA, the General Developments Agreements between Canada and the various provinces and all the subagreements that flow out of them; the program for export marketing development; and ILAP, the Industrial Labour Assistance Program. Some of you probably heard of that one, we had it down in Brantford; there is only one of those remaining here in Ontario now, and that is in Sudbury.

What is IRDP going to be all about? I don't want to go into this in too much detail, because the legislation is not yet passed, but what the Minister is hoping to achieve, and he's making considerable efforts in this respect, (our Minister is the Honorable Edward C. Lumley), is to have a program that will allow small businesses to access loans, grants, forgivable loans, repayable loans, for the purpose of consultation, for expansion, for innovation, marketing, that kind of activity. I might say, this is going to take place in every part of Canada, but there will be some graduation in the richness of the program - a little richer in the areas where there is slow growth, relative to the areas of high growth. I think that is about as far as I'd like to go at this point, but perhaps, Madam Chairman, if we could open this up for a discussion, now, we could receive questions.

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MR. MONGEON:

Do we have any questions from the floor? We do have a couple of gentlemen who are prepared to pass out pencils and paper so that you can write your questions. Would you rather do that?

I would just like to say that we have some literature on the Bank, and on the activities, on the back table.



Isn't it marvellous? You spoke for an hour and they know everything.

The gentleman at the back has a question.

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Q. I'm very fortunate. I work for a non-profit charitable organization that's in the expansion factor right across Canada and indeed internationally. One question I have for the gentleman from the FBDB: If your services, including your CASE counselling, were available to non-profit charitable organizations, we could stand alone and count less on government grants. I sort of cheated, but I will tell you what I did. I have a private business, and I engaged CASE, and you sent me old Reg, and he came in and turned our non-profit charitable organization which was \$45 000 in the hole, and sinking fast, into a program this year that will extend to about \$450 000; but we had to sort of bend the rules, but I am imploring to you fellows, both from DREE and from the FBDB to extend your sphere of influence into non-profit organizations, because they are good young businesses, but they need your expertise. Can that be done?

A. Well, we will certainly note your recommendations, and I am very pleased to hear that you received the kind of assistance that you required. You didn't say whether that 450 was a profit or loss, and when you said it was extended, I am hoping that it was a profit. The mandate as it is set out right now, unfortunately, requires that the counselling be to businesses that are there to generate profits. We really aren't able, as you say, without bending the rules a little bit, to assist in the charitable or non-profit organizations, but you asked that we extend our influence, we certainly noted that, and we will do what we can in that regard.

Q. (Response) It's a positive cash flow! What it did do, is allow us to expand from two employees to six full-time and two part-time employees. As a non-profit organization, we are finding employment for artists, musicians,



craftsmen, right across Canada. We have over 500 on our roster right now that are working almost full-time at their craft and making a living at it, it was very worthwhile and we are very proud of it. But I was just wondering if it is simply a matter of legislation so that your services could be available to us. It would really help us a great deal.

Thank you very much.

When you mentioned Reg, is that Reg Burgess you were talking about? (Is there any other Reg?) I guess not!

In the film, you had mentioned that charges are only for that counselling, I understand that charges are for the reporting time also. Is that true?

I should probably have elaborated a little bit. The charges are \$13.25 an hour while the counsellor is counselling you, plus writing out the report, which could take a half hour or an hour after the counselling. That report is then typed and the client receives a complete copy of the report. But he is charged for both.

I had taken that counselling, and both the times I was a little bit disappointed that the meeting lasted about an hour and a half, or two hours and he took three hours for making that report.

How long ago was this? (About five or six months ago). I can't say without getting into the particular case, why the report writing would be so long, but I can say that you could give me a call tomorrow, and I will certainly look up your file and see why the report writing took so long. I really can't comment without having the file at this time.



Q. I have a question. Is it only retired businessmen that counsel, I mean, aren't there a few of us women there? (Joyce Mongeon)

A. No, we have one woman counsellor, and we are right now, just in the process of hiring another woman counsellor. Mrs. VanGennop is one of our better counsellors on accounting and she does just an excellent job, and I apologize.

Q. About a small business loan. I'd like to know if somebody gets a loan, and before we pay it off, if he decides to start another company, if he can have a second time, the same loan, or if he must have a different company name, or ...

A. Oh no, not at all. We have people with three, four, five loans on the go at one time. Quite often, for simplicity, they will just simply supercede it so that you are ending up with one loan and hopefully reducing the monthly payments by doing that; but there is certainly nothing to restrict you from having more than one at a time in the same company name.

Q. But that total of the three loans must be lower than the ...

A. No, there is no limit at all.

Q. I really have two separate questions. One, first of all, is with regard to the provision of working capital. Is there any time limit on that, or are you allowed, (are you prepared to finance) a small business, shall we say, indefinitely?

A. No, there is not any time limit on it. The very nature of working capital suggests something that is required over a short period of time. Generally, that kind of thing is financed through your chartered bank,



under your operating line of credit. There are occasions when you maybe do need a bulge for a short time; it may be that you are asset rich, and working capital poor, which often happens when you are suddenly expanding very quickly. We can provide working capital under those circumstances, and I think, to some extent, the term of the working capital loan is dictated by, certainly, your ability to repay it, if you require five years to pay it back, there is certainly no point in our scheduling it back over three years, we are just asking for trouble. On the other hand, one has to look at the type of asset that is being pledged as security; if it's a vehicle that is going to be completely demolished in a year, then, it would be difficult to get a 20-year term on that sort of thing. There is a combination of factors, but to answer your question, there are no hard and fast rules.. This flexibility is one of the reasons why businesses come and deal with us. I am often asked the question, what can we do that chartered banks can't do? Well, that is one of the things that we can do - we can provide that kind of flexibility.

The other question is quite separate. It relates to your putting together export packages, and as you will know, it is almost impossible to put a hundred percent Canadian export package together. Inevitably, you have to go offshore for some components of the package. Do you have any hangups about financing offshore purchases?

Bob, would that fit in your export program at all?

Financing of purchases offshore? (Yes, to make up a package)

As far as a straight term loan goes, we have no hangups at all. We certainly prefer to see, if you are purchasing offshore, you buy something



if it is available in Canada. If it isn't, then, obviously, we have no problem with that.

Q. Or you may go offshore because it is a more competitive price or whatever?

A. We don't get ourselves involved in the management of decisions that are taken within the company itself. You come to us, and you say, I have made a decision that I am going to purchase this piece of equipment, and here is the cost and I am looking for financing. It really doesn't matter to us, although we would certainly prefer to see it bought in Canada.

Q. I can certainly see that you would prefer that, but I am saying that for instance, if it was EDC, they would say, well, it's got to be at least 80 percent Canadian.

A. No, we have no such qualifications.

Q. First of all, I would like to say that, as a small businessman, I am a little bit disappointed in the proceedings today. We wasted three quarters of the day before we got into anything, really, and that is kind of important to me. The other thing is that what you are offering for us is financing that is available to people who are in trouble; and there are a lot of us who aren't in trouble, but are looking for assistance in expansion, and also help in training people. I was wondering if anybody could elaborate on that.

A. You have touched primarily on the area that I am responsible for, I spend eight hours a day on. The majority of the information that I provide, and the companies that I service, are the companies that are not in trouble. In fact, if the companies are in trouble, we do have a little difficulty in dealing with it, in the investment arm. Companies that are well-structured in the industry, have a very good future, a bright future, we are



very interested in talking to them, to provide that funding, that capital for them to give the base for expansion, and if there is anybody in this room that does have that feeling that we don't do that, we would be very happy to talk to them individually. I am very interested in talking to you. If there are any other questions in the room to explain and elaborate as to how we can do this, please ask, because that is what we are here for.

RYCE MONGEON:

Before we get the next question, I want to mention that none of these gentlemen had anything to do with the organization of the Conference. There are other organizers; this particular workshop was scheduled for 2:30, the presentations took 45 minutes, and we were open to questions from the floor 3:15. So that is not three quarters of the day. Thank you.

I would like to ask the gentleman from the FBDB what the ratio is for security in loans. I mean, what do you look at - four to one, three to one, when you are looking for security for your loans.

Again, this is one of the areas that we are completely flexible in. We are not formula lenders. We are project lenders; we don't have any set ratios of any sort. All we are concerned with is satisfying ourselves that first the business is viable, that it has a reasonable chance to repay the loan that it is asking for; that there is a reasonable commitment on the part of the borrower to the business by way of investment in the company; and thirdly, that there is a reasonable amount of security for a loan.

You couldn't give me a ballpark on that reasonable amount of security? I could imagine most of the small businesses in the room have dealt with a lot of banks; I've gone through about five. I'm in litigation with two. It has



been a horrendous story for the last couple of years, so I think I would feel a little more comfortable if I knew what the guidelines were. I mean, theirs change every day when they have a different rule and regulation.

A. As I say, we really don't have any set figures. All I can say to you is that if you are a business that has a tradition, or a history of earnings, a track record if you like, and you are wanting to borrow some money, but you are short on security, that isn't going to bother us. Security is secondary to earnings. Obviously, if the earnings are there, we are never going to have to look at the security aspects of it.

Q. But on the startup, ...

A. On a startup, it is a completely different situation. Management is completely unproven. There are no records of earnings; one's going to want to see that they are not a hundred percent unsecured; again, it depends on the amount and the nature of securities being offered as to how far we would go, and it depends on the forecast, and what the potential is in the market.

Q. I've found that the banks that I have dealt with ... of course, maybe I am an exceptionally lousy business person, I don't know ... are there for the good times, when the interest is high, and then they bail out as soon as things get a little tight. We have lost them. I had dealings with my bank with a small development bond, a small business development bond, and at that time, I noticed there was a difference. If a company wasn't secured too well with the bank, and they realized they weren't in too secure a position, that company didn't get preference over a company that was well secured for small business development bond. It was a chance for them to shore up their



security situation. I know, even talking with Industry, Trade, & Commerce that they had found the same thing. They have gotten calls over the last few years from people wanting bonds from them and the bank will say no, we haven't got them, we have run out, we can't hand them out. And if they did hand it out, it was a five-or six-to-one security situation. They wanted plenty of real estate. So, the bond really didn't work as well as it should have, because we were dealing with the banks. It was a good opportunity for them to shore up their positions.

As a general answer, all I can really say, is that you need only look at our financial results over the past few years to see the type of risk that we have been taking.

No, no, you have convinced me this afternoon. This is the next bank that I am going to. One more question for Industry, Trade, & Commerce. I have dealt with Industry, Trade, & Commerce, and I found a lot of confusion. I really didn't find Industry, Trade & Commerce, was that organized. To find out what was happening in Industry, Trade, and Commerce, I went to, I think it was TASK FORCE Canada, which is a private, I think a consulting group that was brought into Supply and Services. There I got the answers and found out what was happening. The particular case was, I was looking for somewhere to take a prototype to have some kind of an assessment on a prototype, and dealing with first Canadian Place, Industry, Trade, & Commerce, they had no idea where I would go, they had no answers, and it was through this Task Force Canada private group, that they told me about the Innovative Center in Kitchener. I think if it was tightened up a little, and maybe look to Task Force Canada, and see what they are doing.



A. Thank you very much. Your comment is well taken, and I appreciate it. I want you to know that very strong efforts are being made to rectify those kinds of situations that develop. We are very cognizant of the situation. We have been going through a merger of two departments and co-location. Ontario is doing very well in that regard. Certainly, the Minister is making every effort to make that transition as smooth as possible, and that goes right down to our regional executive director, Mr. John Blackwood, who has done an exceptional job in that respect. Now, that's the good side. We still have some of the downside aspects, and please accept my apology on behalf of the department. We will try to do better the next time.

One thing I might add to that, is that we are working very closely with ITC and DRIE, and that is certainly one of the reasons why we are involved in this information service now. Any of our branches could have given you that information.

Q. No, I called one of your branches after I called Industry, Trade, & Commerce; I called the Federal Business Development Bank, and I couldn't get the answer there either. I just happened to bump into a girl that works for Task Force Canada.

A. I am surprised at that, because they have in each of the branches a cataloguing of all the programs, and the Kitchener one I am quite aware of myself. Anyway, they should have it, and I am disappointed, too, that you didn't get that sort of advice; but that is the kind of thing that we are trying to do, so that one doesn't have to run around the way you had to.

Q. I am interested in the grants, the forgivable grants, and the grants with employment and immigration, federal and provincial. With a business expansion, what grants are available, what forgivable grants are available?



I think, Ray, that I am going to answer it. Under the two departments which I talked about earlier in the afternoon, I indicated that we had this large number of programs that we were trying to, and are, reducing to seven. Under our regional development incentives program, which operates only in designated areas, and, unfortunately, the Hamilton area is not one that is designated, it's Northern, and Northeast Ontario, we do have grants that are available to businesses of all sizes, and involved in manufacturing or processing, and that is a one-way grant. Once it is passed on to the applicant it is theirs.

What are the grants available where it will go through the Unemployment Insurance branch, or \$400 available to each employee?

I think, may I just make another comment, on the first aspect, and then I'll endeavour to answer what you have just brought up. In the industry and regional development program that is outlined in the brochure in your package, once that legislation has gone through, then there will be opportunities for people, for small businesses right across this country to apply for, (and if it is a valid type of application,) receive either grants or forgivable loans, or repayable loans, or loan guarantees. It depends on the situation, and I hope that legislation, and I know that everyone in our department is looking forward to it, goes through soon, so that we can get on this job here in Southern Ontario.

It's not in effect, as yet, is that right?

Not at this point, no. On the second point you brought up, I think you may be alluding to the new employment expansion development program which is called COED, and there is a federal stream called NEED, and there are funds



available there for U.I.C. exhaustees who can be hired by a private sector firm to do various types of jobs; you know, electricians, painters, that kind of thing. You receive funds for their wages, plus what we call a benefit section. Now, I am not too familiar with the COED, which is the federal-provincial program, and is operated primarily by the province, although we play more of a banker role, that is, the federal government does. Under the federal stream which has not perhaps, had the profile that we would like to have seen, you receive wages, up to an average of \$200 a week, and I say average, because,

Q. Four, isn't it four?

A. Plus you get an additional \$125 for a total of \$325 for each employee. The extra \$125 is used to cover such things as the Workers' Compensation Benefits, benefits of various types. Now, that is the federal.

Q. Where do you go for this?

A. There is an office for the COED and NEED here in the City of Hamilton. You can either call City Hall, and get information on it, or perhaps you would want to call the Hon. John Munro's office, and they can give you the information. Ask for the COED NEED PROGRAMS. Bill, could you answer that?

Give me your name and phone number, and I'll take care of it.

Q. This isn't so much a question as a comment. I represent a small manufacturing business (family) in Dundas and we have used your services. We have had a ten-year loan which we got for expansion purposes, and I would just like to say that we have been perfectly happy with the co-operation, and the help this



meant to our business in expanding it. We have had just no problems, I thought that perhaps you would like to hear a word of praise. One other comment, and it's quoting what our banker said, he wondered why we didn't go to you people for a loan. He said we could have gone to them, and it would have cost us less. We could have paid it off whenever we felt like it, and there would have been no penalty for paying the loan, before the specified time. Now, that is just a comment, you could address yourself to it, if you wish to.

Thank you.

Now, are there any other questions, good or bad comments? Mr. Short.

I would like to address this to the gentleman from the Federal Business Development Bank. In my conversations with small businessmen, I often get the comment that the FBDB is somehow thought of as a bank of last resort. I wonder if you could comment on what role you actually see the FBDB playing in concert with the private charter banks.

I really don't know where that title got hung on us, because it has never been in our mandate that we provide this last resort financing at all. We, prior to 1975, were the Industrial Development Bank, and even then, we were never that way. However, somewhere along the line, they have hung that title on us. I don't like the connotation of last-resort lender, because it would suggest that nobody comes to us that is healthy and is going to prosper. That is certainly not the case, nor the intent of the FBDB. Our original purpose, having gone back in history, in 1944 it was established, because at that point in time, the war had just ended, or it was near the end of the war, and there was a need to convert manufacturing facilities



from wartime production back into domestic use, and there, it was discovered that from history, there always had been a shortage of funds to do that sort of thing; so the government decided to create IBDB, and it would fill that gap. As time progressed, the need in other sectors became obvious too, and eventually all types of business were open to financing from the bank. Our role today is the same as it was then; to simply supplement the type of assistance that is available out in the private sector. As I mentioned, there are some things that a chartered bank can't do. There are times they are prepared to jump in, but often, like an accordion, they want out again. We try to provide that settling influence; we try to fill that gap. We can provide fixed-rate loans. For instance, the charter banks are not prone to do that today. We can be more flexible. We can provide 100 percent financing if someone has adequate investment already built into the business. As I demonstrated earlier, very often a company may have a great deal of funds tied up in assets, but have no cash, and other formula lenders may require 25 percent down-payment, that sort of thing. That doesn't maybe solve your problem, so it's that kind of thing that we are prepared to do and look at 100 percent financing, if, in fact, you are a bankable proposition in a credit-worthy situation. We are filling a role here of supplementing the financing that is out in the private sector; never were we intending to be the "last resort." In fact, today, I would suggest that we should be the first place to stop. As I mentioned, we have information on government programs, we have management training, we have counselling, on-going types of assistance, as well as term loans, and investment banking. I think the first thing to do would be to come to the FBDB office, and they might direct you



the appropriate source of funding. There may be a "contrary" there in terminology, from "last resort to the first stop," really.

Do most of your customers have outstanding indebtedness with the chartered banks? If so, what percentage, on an average, does their indebtedness to you represent, with respect to their total debt picture?

I couldn't answer that last question. I have no idea of that, but I don't think I have seen a borrower that isn't also a borrower of a charter bank.

I think if I could just elaborate on that a little further, there is one other aspect on answering that last question, that I think we should elaborate on.

It is the whole investment, merchant-banking concept that is being provided so that, while not being a lender of last resort, there are many other services that we can, and do, provide that the normal domestic chartered bank does not provide, and that is in the investment side.

From Partners Machine Shop. I want to ask you gentlemen, last year we had some help from government to buy machines. That was a small business, but this year, we had another machine to buy, and they said they could not help us with a Class I. We never get any more help. On the other hand, when we hear on the radio, we hear on the news, or in the newspaper, they say the government is going to help small business. What kind of help are we going to get? Because we cannot pay, we cannot buy right away, we cannot pay the interest.

I can partly answer that. From the FBDB's perspective, and from the lending side, you are dealing with small business bonds which are handled by the chartered banks. Small business loans are not part of our function and we have no control over those whatsoever. That is something that you would have to take up with the chartered banks and other government



organizations. I know it is not a satisfactory answer for you under your circumstances, but we can't address ourselves to that particular question. If you are having difficulty in obtaining funds on reasonable terms and conditions, then you would come to us, to Tony in Toronto, and discuss the proposal with him, and if it is a reasonable economic situation, then yes, the funds would be provided by us directly.

Q. The difficulty to pay, our payment for the machine or any kind of job, we have to ask the government, or you people who are looking after this, we have to receive the money from the customer from the job we are doing, shipping the job, we have to receive in one month. If we receive the money in two months, we might be broke. We cannot pay. That's the problem, because we do the job, we ship the job. But until the job is going to be ready, material is going to be paid, it takes three or four weeks, but already we buy with credit. We cannot pay before then. Then they are going to start people saying ... the lawyer, etc., they are going to say you didn't pay, so after this you pay C.O.D.

A. It sounds as if you are having a little difficulty with your charter bank with arranging an operating credit. Possible you should be talking to the management arm. Peter.

Well, our counsellors do cash flow, and maybe that's what you need more than anything to get somebody to do a cash flow projection for you, or budgeting and cash flow projection. We are well equipped to do that. Maybe you should give us a call tomorrow, and discuss it a little further.



Yes, we need more machinery, we need more help, we need something like this.

I'll give you my card. Give me a call tomorrow, and we can discuss it a little further. There is no obligation on your part, but our counsellors are well equipped to help you.

As a matter of interest, I just wonder if you have any records as to the most single common factor in the businesses that are having problems. In other words, before it happens, what are the problems that cause failure in business, and they must be 80 percent of businesses perhaps fail because of the same common denominator. Is that a fact, or is it not a fact? Are they all different? If you are talking to somebody do you say beware of this pitfall?

80 percent, I don't know, but most businesses fail because of poor management. Now, that's a big umbrella, but, however, that is the reason for most business failures, and many cases, businesses come to us when it is too late for a case counsellor or anybody else to help them. Our counsellors are good, they understand business, and they can give an awful lot of good advice, but they don't have a magic wand, and, in most cases, it is poor management. That could be developed a little bit further. Poor extension of credit is a big factor, bad Accounts Receivable, not too much on their own books is a big factor. One of the things we find too about small business: very few of them are budgeting properly, or doing the cash flow projection that I previously mentioned. They really don't know whether they are making money or not, as Austin pointed out in the film. This lady thought she was making money, she really wasn't, because she was not doing her bookkeeping properly. Poor management has to be the reason.



Q. So, if you are advising someone who is starting business, what would be one of the main factor that you would say to them? I have been in business for 17 years, hanging in there somehow, but I am interested to hear, I know what we went through, what would your advice be today?

A. I would think that cash flow projection and proper budgeting is one of the most important things that small business should be doing today. My comment would be that maybe you should get in touch with one of the CASE offices, and make inquiries there. The nominal fee they charge for it would probably be much repaid in your peace of mind.

Q. I represent a company that did about \$3.5 million worth of sales last year; it is a marketing firm, buys products from manufacturers, and sells the products through a network of sales people over the world. Our company does not have any land or buildings; it doesn't have any equipment that we could use as security for loans when dealing with the bank. The reason for that is that we have decided to use all of our cash resources for our cash flow, for our operating capital. Over the years, cash flow has been a problem for us, primarily because, in some cases, depending upon which country we are talking about, we are financing the purchase of these items over a period of 12, 18, 24 months period. We have made attempts to see what we can borrow from the FBDB in the last two or three years, but because we don't have any security to offer, we have not been successful. So, in the meantime, we have been forced to contact and deal with a financing company that charges  $5\frac{1}{2}$ , six percent over prime, and lately a chartered bank that charges  $2\frac{1}{2}$  to three percent over prime to give us some money. My question is, is there any, I know there isn't an existing program, that would allow us to



orrow money from the government without any security, the three items that have mentioned. Perhaps I am wrong, and I hope that I am, or are there any projected programs that would help us? Those are two questions, and the third question is if these chartered banks, and these other private financing companies are both willing to take the risk, why doesn't FBDB take the same chances?

I'll answer starting with the last part, at least. You say, one of the reasons why you are unable to get the help from FBDB was simply the lack of security, and I would agree. I won't argue that. The Bank Act stipulates that we have to have a reasonable amount of security before we can lend, so our hands are tied to that extent. Now, having no security can't be concluded being reasonable, really. Your chartered bank would probably do it, and in fact has done it, simply because they can look to receivables and inventories as security, which is something that we are not empowered to take.

If I may interrupt you, and add that we do have approximately \$1 million Accounts Receivables. That is what we have been using as security.

For that type of business, that is the sort of financing that you should have. I gathered that you are possibly complaining a little bit about the rate that is being charged. Am I correct?

Well, I don't know if you call it a complaint. When you don't have too much choice, you just accept the first thing that comes along. What I am looking for is assistance with a lower interest rate than what we are paying now, if we can.



A. And again, FBDB is, as I say, going to be higher than the chartered banks if we were able to help you. So, we really can't solve your problem there, but generally, the rates that are charged reflect the risks that are involved; and, as you have admitted yourself, with no security, maybe that rate isn't onerous or unfair at all. That's not a very comforting thing, but it's a fact of life.

Madam Chairman, is there anyone in here who is in Tourism, or the travel business? Have you any questions? We do have a Canadian government office of Tourism which is part of IT&C, and there are some programs available there.

Q. The only problem that I have with Tourism Canada is getting answers on phone calls. That's Ottawa. They weren't too busy, because once I took a plane up, and they were out in the garden.

A. Have you participated in the Canmap?

Q. No, I work on behalf of the Canadian Association of Festivals and Events which is a national organization, and includes the carnivals like the Calgary Stampede, and others right across Canada. I am secretary of that organization and, primarily, we were hoping that as we represent the major tourist attractions in all of Canada, we would get some funding or assistance, so that we could go into various provinces to set up workshops on how to sell souvenirs, how to sell your program, and everything like that. Well, even representing those people, and the fact that we are chartered and everything like that, we got \$5 000 for all of Canada and it took us a year- and-a- half to get it! At our last meeting, we kind of shrugged our shoulders and thought maybe we should forget the time that we are wasting on this. We were really disappointed.



They didn't answer their telephone calls. They didn't answer letters, and left us feeling that they didn't care.

I accept your point and I'd like to say, as I said before, there is a serious concern about this kind of thing ... not only from you, but from this other lady who spoke earlier. I can assure you that steps are being taken to correct that. Again, I don't want to belabour this aspect of this new core program that is in the brochure. In the room adjacent to your left, David Graham of ITC/DREE is talking specifically on the industry and regional development program. Perhaps, I don't know whether it would be too late or not, but if you wanted to rush next door, and put that kind of question to them, he may be able to give you a better answer than I can. I will say, that it is included in IRDP and if that legislation goes through, I think you are in for a better relationship with us.

I would think, too, and now I am speaking as a private citizen and a taxpayer, I would have gotten in touch with the Member of Parliament or the Minister and complained to him about their not answering the phones.

My question is do you give any loan on publishing?

We don't discriminate against any business, so ....

I was discriminated against in 1975 in your office. Your person did not understand the difference between publishing and printing, and I was rather surprised. Printing machine is the printing, publishing is an investor who invests the money and pays the money to the printer, for the publication of the book. My direct question is do you give any loan for the publisher?



I went to your office in 1975, when I started my company; I did my publishing work before for 11 years, and at the time he said he could give the loan for the machine if I started a printing press, but not the publication of a book. The reason was because the gentleman concerned told me at the time it is not guaranteed whether or not the book, whenever it is printed, will be sold in the market or not. That was the reason which was given to me at the time. Could you please clarify it now?

A. What I would verify is that you weren't declined because of the type of business that you are in; we are really open to any type of business in Canada. The same lending criteria applies to each and every type of business, and if you were declined, it was because the Bank was not satisfied as to the credit criteria involved. Maybe there was no security, maybe the printer had all the equipment that was available for security. That may have been a big factor.

Q. Okay. My second question is, whenever you take the question of assets, can a person, whenever he applies for a loan just give the guarantee of his home, where he is living. Suppose I go to your office, I ask for a \$25 000 loan and my house is \$50 000, the mortgage is only \$10 000, do you think I could get a loan?

A. I would suggest that if you do, in fact, have equity in your house, you go to a residential mortgage company, raise the equity, and put it into the business.

Q. That is not clear to me. My question is direct to you. If I go to your office, can I get the loan? In terms of yes or no.



The FBDB is obviously not in the mortgage business, am I right?  
oyce Mongeon)

We are not in the residential mortgage business. As you know, we  
n't deal with your case without knowing some specifics. All I am saying  
that the same criteria apply, whether you are a publisher or a printer. We  
uld look for earnings, we would look for management, for security and  
vestment in a business. If, in fact, the only security that you have is  
your home that you mentioned, then I would suggest that you go to a  
residential mortgage company if you want to get that equity out of the house  
d invest it into your business.

I think there is one other bit of information that you might want to  
ow. You have been talking loans all along from a publishing point of view.  
ey are probably not on a loan basis. We have made investments in publishing  
oposals, so while it is not specifically a loan, we have funded publishers.

Still, the policy might have been changed now, because I just applied  
1975, and it is '83, so I would like to approach your office again.

We can't speak for your specific situation in '75, but I can tell you  
at we do have funding for publishing in Canada right now.

A question arose to me when you said that the investment banking arm  
uld be interested in helping companies that wanted to expand or train  
ople. How will that co-exist with government programs like IRDP, that are  
place right now to do just that?



A. If I gave you the impression that expansion was tied in with training people, I apologize, because that was not what I meant. The purpose of the investment arm, or the investment division, is to provide capital. In many cases, for rapidly expanding companies, borrowing is not necessarily the appropriate way of acquiring capital. You need investment capital. The individual or the entrepreneur might have all of the components of a very successful business, but does not have the capital to make it all work. Under those circumstances, we will come in, and under the right circumstances, if this is the situation, where everything is in place, and you are just short of the funding, we provide the funding on an equity basis.

Q. The question was, how does that co-exist with other federal government programs that are designed to do that as well, expanding companies, giving them a hand in expanding. Is there some special reason that someone would go to the FBDB rather than using the IRDP program?

A. Those primarily are, I don't want to say soft loan situations, or grant situations. Our funding is based strictly in proper business decision-making processes, and we provide this capital using these other programs in conjunction with our funding. We are private. Try to think of our investment division as being a private entrepreneur. We operate as close to that as possible, using private business decisions.

Q. Is it true that your interest rates are a little bit more than a regular chartered bank? If so, how much?

A. As I mentioned, they are going to be set at least a half to one percent higher than the chartered banks, yes, that is true. In fact, I think that



very often customers will complain that they are much higher than that. This is necessary as, I say, it is one way of insuring ourselves that we are not competing with the chartered banks and we are not taking their place.

I have just made an inquiry in the office about this NEED and COED program, and they are going to make a press announcement tomorrow that the program will be coming to a close.

That is the federal stream, NEED, COED as well. This, of course, is handled by the Canada Employment and Immigration Commission, and under the federal stream, other federal departments and agencies participated in the program, from a delivery point of view. We have been fairly active in it at CEE/ITC. We were made aware that the program was coming to a close about two weeks ago, and it's my understanding that Mr. Axworthy, the Minister of Employment and Immigration, will be looking at a successor to this NEED program. The program has had some voids in it, there have been some anomalies in it. The experience has, on the whole, been relatively good, but it could be better, and I think that Mr. Axworthy wants to pull it in, and come forward with something that is more in keeping with the needs at the present time.

This is in connection with tourism. Our company manufactures and supplies battery souvenirs to stores across Canada and parts of the States. The last two years, tourism has certainly decreased, especially the American, I guess that you are aware of that. In what way would help, could you assist a company like ours, not financially, I don't mean that. I understand from the reports that the reason that the American tourists are turning away in droves,



is the cost of our gas, our liquor, our accommodation, taxes, this type of thing. What has your department to offer to a supplier of souvenirs, for instance, in advice or programs?

A. First of all, may I say that, tomorrow morning, a member of our staff, Miss Lorraine Andras, is scheduled to speak on export development. She has been in the foreign trade service for some time, just returned from an overseas posting, and is quite a capable lady in this area. If you are going to be here, it's well worthwhile catching her address. More specifically, we have a program, called Program for Export Marketing Development, and this program provides assistance for you to travel abroad to look at export potentials for your product. It does not pay the entire cost, but it pays a percentage, and it is something that I think you should look into, if you have not already done so; and I gather you haven't.

Q. We have looked into export. It's like pulling teeth to even get an appointment with some of the buyers in the States. This is a real problem.

A. Here is what we can do for you in that respect. If, for example, you are going to San Francisco, we have a consul office in San Francisco, with a foreign trade officer in it who would arrange for you to meet with buyers for your product, so that when you arrive in San Francisco, you aren't going to waste your time. He or she would make himself/herself available to you and introduce you and get you in touch with these buyers. That kind of service is readily available. This year, for the first time, we brought on staff 18 students under the Summer Canada Student Employment Program, and 10 of those students are in various locations around Ontario to assist business people who wish to market their product either in other regions of Canada



overseas in some export market. We have a student here in Hamilton, and if you have a minute after this session, and leave your name, I will endeavour to have some contact made with you in that respect. Maybe this can be of some assistance to you.

I have tried all sorts of contacts. I've worked with the Canadian Consulate in New York, trying to first penetrate that northern, northeast area, but ...

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ALYCE MONGEON:

I think that now we are all wiser and know a little more. I DO want to thank particularly, and most sincerely, these gentlemen who have taken the time to come from their various cities, Ottawa, Toronto, and here in Hamilton, to answer your questions, and mine. Thank you very much. I hope you will participate in the program tomorrow.







NORTHERN OPPORTUNITIES

MODERATOR: Neil Faulkner, Assistant Deputy Minister, Northern Affairs, Department of Indian and Northern Affairs

PANELISTS: Harold Fargey, Executive Vice-President, COMINCO, President, Mining Association of Canada

Murray Todd, Senior Vice-President, Dome Petroleum, Calgary

Gerry Kalyniuk, Producing Project Executive, Esso Resources, Canada

Wednesday Afternoon, June 22, 1983



NORTHERN OPPORTUNITIESHAROLD FARGEY:

Private sector investment will flow to those countries or areas where risk is deemed minimal and profit expectation is perceived as good.

Because of the high cost of producing minerals in the North, economic risks associated with Northern mineral development are high, not necessarily prohibitively high, but high. This is why investors in northern mineral projects strive to ensure that government policies, as they relate to mineral development, exhibit fairness, stability, and predictability. Unfortunately, the perception of government sensitivity to this requirement does not prevail at this time. For reasons which are incomprehensible to the mineral industry and to Canadians living in the Yukon and Northwest Territories, the federal government has chosen to increase the burden of cost on the struggling mining industry of Northern Canada.

Some months ago, Ottawa announced that, commencing in January 1984, a new tax is to be imposed on allowances for housing and for periodic travel to the south, allowances which have traditionally been granted by mining companies to their employees and their families in the north, and in other isolated locations, allowances which have proven necessary to attract and retain employees in the northern work force. The tax is a serious roadblock to northern development. It will raise labour costs in the order of ten to 15 percent, and may cripple some existing mining operations. Its most damaging effect will be on future investment, for by this insensitive initiative, Ottawa has clearly signalled "Beware" to potential investors in northern



adian mining projects.

Ladies and gentlemen, for many years mining has been the main economic motive, the main creator of wealth in Northern Canada. Obviously, government policies regarding social and economic costs and benefits of northern development are of critical importance to the industry and its future. If Ottawa and the Territorial governments decide, for reasons of economics, political policy and sovereignty, that they want northern development, then policies must be established to encourage mineral development. I'm usually an optimist, and I regret not being able to close these remarks on a more optimistic note. Despite an expected sharp upturn in the world's need for minerals, Northern Canada is not an attractive target for investment in new mining projects at this point in time. Thank you.

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OPERATOR:

Thank you very much, Harold. You may be a pessimist, but you certainly won't miss an opportunity when you have a chance to state some views very clearly about the mining industry.

I should have mentioned at the beginning, that we will have three presentations. The first was on mining, the next two will be oil and gas in Beaufort, and elsewhere in the North. We can have questions from the floor in between each presentation. There is a microphone up there, or you can pass up notes to me and I can read out the question, if you would prefer that. Before we move on, are there any questions, anyone, that they would like to direct to Mr. Fargey?



Q. I have a question. We are thinking about bringing great bulk through the north pipeline. Why risk all that, why not build a plant right in the north, and start developing a hydrogen economy, and start using more of that energy right on site?

A. I don't mean to cut you off, but there are a lot of people here who want to hear presentations. Maybe we could get into this discussion of alternatives after those presentations. Is that okay?

I wonder if I can ask Dome to make their presentation. Murray Todd.

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MURRAY TODD:

What I would really like to do this afternoon, is show you several slides that illustrate some of the things that we currently have going on in the Beaufort Sea, with respect to offshore oil exploration in the Arctic. Then I would like to show you some of the things that may happen in the future, and link that with the industrial opportunities that would flow from it. So, if you will excuse me for a moment.

When you see some of these slides and projects that are starting to take shape, please keep in mind that there is somewhere between 20 to 35 percent Canadian content. That's a rather low figure, and you will have to wonder in your own minds if the experience in the industrial capacity of this area, whether you can start to pick up from that opportunity and change that figure dramatically; as has been done in other countries of the world.

Fundamental, of course, to what we are doing in the frontiers, with respect to the search for oil and gas, is where we are coming from with respect to supply and demand. This slide illustrates the relationship between demand, which is the top curve, and supply, which is the bottom



ve. Now, demand has dropped off very substantially in the past year. This is likely an anomaly due to the recession. You can see that demand, up to 1980, was on the increase.

Our expectation is that over the next several years, demand for hydrocarbons will be relatively level, and then it will start to increase gradually. Supply, on the other hand, will continue to drop. The annual figures have not been produced for 1982. They indicated that the Canadian oil reserves have again decreased, in spite of the greatly reduced demand. Of course, we have to import oil to make up the difference between the bottom line and the top line. Importing oil is extremely expensive. It leaves no residual profit in Canada, and since we are importing the oil from unstable countries, we are very susceptible to interruptions in supply through such things as Middle East wars, and various acts for which some of these governments are responsible. So that's why we are in the frontiers.

It's really quite clear that we will never match these two curves by continued exploration of conventional sources. It certainly helps, and there's an area where we need to continue to be active, but what we are really looking for is extremely large oil fields that will contribute several times the kind of reserves that we get out of conventional sources; the reason we are looking in the Beaufort, and I won't try to take you through some of these slides, because some of them are rather busy. The area that is shown in pink or red on the slide is where most of our oil comes from today, and that's where the conventional supplies are. The area that's called No. 2 is the Beaufort Sea, where we have our search currently going on. The hydrocarbon potential there is very encouraging. Sediments have a



lot of the characteristics similar to other areas in the world where there have been proven reserves established, and of course, the second major frontier area is on the East Coast, which is labelled No. 4 on the slide. This is where you have the Hibernia oil field discovery and the Venture gas discovery offshore from Nova Scotia. We, and others, project in the frontier, or at least in the Beaufort Sea, that we could be looking at as much as 40 billion barrels of oil, which is more than ten times the remaining reserves in Canada. We would expect that these kinds of reserves would be discovered over a period of 30 to 40 years, and developed over even a longer period of time. So, what I'll show you now is some of the activity that has been going on in the area.

Leases were awarded to the oil industry in the late '60's in the Beaufort Sea, and really, then, Technology did not exist to carry out the exploration activities. That's really what was done during the early '70's, and has been very rapidly progressing since 1970. We commenced our operation in the Beaufort Sea in 1976, after building a fleet of icebreakers and ice-reinforced ships.

This picture illustrates the vessels coming in around the coast of Alaska in 1976. During the summer months, the Beaufort Sea is not unlike any other body of water. We are looking at open water for 80 to 100 days of the year. Initially, the operation was conducted in an open-water mode. This particular vessel you are looking at is about 600 feet long. It's a double-hulled vessel to resist the pressures of the ice. The mode of operation is to moor this ship over a single spot in the ocean, with eight



ing lines, four forward and four aft, and then support the vessel with breakers and supply boats. This is what the operation looks like a little later in the year. This picture was taken in late November, when the was two feet thick. The ice in this area is constantly moving. It exerts tremendous forces on the ships and on the mooring systems. In order to resist these forces, it's necessary for us to manage the ice, which we do by breaking it up by large icebreakers, and then diverting the smaller pieces around with smaller icebreakers. There is, in fact, oil in the Beaufort Sea. In our operation, we have come up with five oil discoveries. Other operators have also announced three oil discoveries. The commerciality of these discoveries has not been established at this point in time. Further delineation drilling needs to be carried out in order to declare one of these discoveries commercial.

This is the kind of boat we are using as icebreaker supply boats. This particular vessel is 208 feet long, 7 000 horsepower, built in Canada.

This is the John A. MacDonald. Some of you may have seen it on the Great Lakes. It actually worked in the Beaufort Sea on charter to Dome for a year, about three or four years ago. We did a lot of research with this vessel, and, with the information we obtained from that program, we were able to design more modern and up-to-date icebreakers. This is the Albatross icebreaker which is a very up-to-date icebreaker and is the most capable icebreaker in Canada. Actually, it is the first ship in the world to work on a year-round basis. We've used the ship to carry out a lot of research and to develop the technology for ice breaking. In my view, we have actually transferred the state of the art of breaking technology from the Scandinavian countries to Canada and this is one area where we think there



is a tremendous amount of potential for industrial Canada to further this technology and to commence building icebreakers that can be used, not only in our own Arctic, but in the Arctic areas of other countries.

This picture shows some of the research that has been carried out with the Kigoriak. The sequence starts in the upper left-hand portion of the slide, where the ship is about to ram a 100-foot thick pressure ridge. The next sequence is the upper right hand corner, which shows the ship just about to contact the pressure ridge, and the lower two showing it breaking down that particular pressure ridge.

The work that we did with that vessel led us to the next series in the sequence of icebreakers. This vessel is called the Robert Lemure, and is about the same size as the Kigoriak, and they are about the same size physically as the John A. MacDonald. This vessel was built in Vancouver and delivered into the Beaufort Sea last year. This particular picture shows it escorting one of the drill ships to port. The operations in the Beaufort Sea are carried out only during the summer months, that is with respect to the floating drill systems, so the ships are tied up in natural port, not natural, but the one we have built in a secluded area in the Beaufort Sea over the winter months. The ships are just left to go totally cold, frozen into the ice.

Now, to go to year-round operations in the Beaufort, which is essential for development, it's necessary to have structures out in the water that will resist the forces of the ice on a year-round basis. The industry has determined that islands are the most suitable systems for a year-round operation. Island technology has been pioneered by Esso Resources



the Beaufort. They have been operating there throughout the seventies  
 starting their island-building operations in just two or three feet of  
 water and eventually working up to water that was about 60 feet deep.  
 This slide illustrates a drilling island that was called Isujnak and  
 successfully operated over a couple of winters in the Beaufort Sea. Here  
 is a combination gravel island, combined with concrete caissons. The concrete  
 caissons extend from 20 feet below the surface of the sea, and the core of  
 the island is filled with gravel. The island was built a couple of years  
 ago using dredges, very large dredges, similar to this cutter suction  
 dredge, Dutch dredge, and supplemented with Taylor hopper dredges, such as  
 the one. This particular dredge is the largest dredge in the world, and it  
 operates similarly to a super duper dump truck. The dredge sucks up material  
 from the sea floor, pumps it into the center of the ship, and then the ship  
 moves to the island location where the material is discharged.

The concrete caissons for the Tarsiut Island were built in Vancouver.  
 They were transported to the Beaufort on a submersible barge, and they were  
 submerged then on the surface of the island. So, if you can take yourself  
 back to the artist's conception a few minutes ago, you can visualize a  
 gravel island existing below the surface of the water, and the concrete  
 caissons now sitting on top of that. This particular island is in water  
 that is about 75 feet deep, and that is the deepest man-made island in  
 the world. This is what it looked like in the summertime when the ice  
 had started to form around the island as a result of the moving ice.  
 The island now has successfully withstood two years of winter ice and is  
 still functioning just fine. This is what it looked like during a storm  
 in the summer and, curiously enough, the biggest problems we've had with  
 this type of structure is not in the winter, but actually in the summer.



The next move in developing the technology in the Beaufort island building was to go from a concrete caisson to a steel caisson, which of course, is much more portable.

This, again, is an artist's conception of a vessel we designed about a year and a half ago. We designed it using as a base a surplus super oil tanker. This is simply an opportunity type situation as these kinds of vessels are readily available around the world at a low price; so we were able to use fabricated steel at a very low price, and the steel was only about ten years old. This vessel was designed also to sit on a submerged berm in the Beaufort Sea. We designed the vessel and built it over a period of nine months in a Japanese shipyard, and this ... all the equipment though, I might add, was built in Canada, and it was all installed in Canada. The only thing that came over from Japan was the bare hull, the part that's painted blue in this particular slide. This shows the vessel in operation at a location that we call Uvalik in the Beaufort Sea. Now, this is in water that's 100 feet deep, so the Tarsiut Island, as I said, was the deepest man-made island in the world in 75 feet of water. This, of course, is the deepest man-made island in 100 feet of water. This year this particular vessel will move to another location where the water is 150 feet deep. We've operated the entire winter with this particular vessel. It has performed superbly, and has established, beyond the shadow of a doubt, the technical capability of working safely on a year-round, year-in - year-out basis in the Beaufort Sea.

Another shot of the vessel taken a little later in the year. I point out to you, on the upper side of the picture, an open water area, and this was an exciting development for us, because the vessel developed a lee side



the big problem that we've always been faced with in the Beaufort Sea year-round operations is "how do you access your facility during the winter months?" Now, what this indicates is, since the ice is moving all the time, the vessel actually is working a bit like an icebreaker and breaks down the ice as it approaches the vessel, and on the down-stream of it, you actually have open water. You can actually see steam rising from the open water, so clearly one could approach this particular installation during the winter months with a moderate-sized icebreaker without any problem.

Jumping to a few other things, this slide illustrates the increase in drilling footage, which is a measure of how much work we are doing in the Beaufort Sea, and I won't carry you through it, other than to point out to you the increase from 1976 to the area that is shown in red in 1982, and what we project to do in 1983. We have increased our activity very substantially. The logistics associated with working the frontiers are enormous. This is really where the biggest problem is. It's a cold problem, of course, and there are environmental problems but we can deal with those problems beyond a shadow of a doubt. When you are working, though, 100 miles from home with no year-round transportation links, you don't have communication links, it's really a little bit like the British fighting the war in the Falkland Islands last year. It's a question of taking everything with you that you need, in order to carry out your operation, and planning for it about one year in advance.



This is an installation that we have at Tuktoyaktuk. We carry about \$60 million worth of supplies at this particular facility. We have a camp for about 400 people. They comprise the logistic type people, materials people, transportation people, and environmental experts, and management. This is what it looks like in the winter. The village of Tuktoyaktuk is in the background of the upper part of this slide.

We have built a harbour, at a place called McKinley Bay. It serves as a deep-water port for our dredges and our drill ships which are unable to get into Tuktoyaktuk because of their draft. We had to bring a dry dock into the Beaufort Sea. We cannot get our ships out of the Beaufort Sea conveniently, because the open water period around the coast of Alaska exists for only about six weeks, so if we were to take our ships out at the end of the open-water period, and then bring them back in the following year, we'd have an extremely short drilling season, so it's necessary for us to leave the equipment there, and accordingly, if we are going to service it, we have to bring in the necessary equipment to service it, so that's why we have a dry dock.

This shows the growth of the systems in our particular operation. This slide reads from bottom to top, and it shows that, in the future, of course, we could be dealing with some extremely large vessels. The vessels are silhouetted in more or less relative scale.

We are continuing to advance our icebreaking technology, and we have now designed a vessel that is a Class 10 icebreaker. This would be about a \$100 million vessel. It would be the most capable icebreaker in the world. The largest icebreaker in the world is a Class 7 that is owned by the Soviet Union. The class of an icebreaker incidentally, roughly relates



the ice thickness in feet that the ship can proceed through, without  
 popping and ramming, so a Class 7 icebreaker can proceed through ice seven  
 feet thick, Class 10 through ice that is ten feet thick. This type of an  
 icebreaker would be able to sail through the Northwest Passage on a year-  
 round basis, year in and year out. There isn't any place in the Arctic where  
 a ship could not go. It would clearly create a new transportation link  
 in Canada's north, and we feel this is essential to the oil industry in the  
 north. This type of capability is required, actually, whether we use pipelines  
 or tankers for carrying oil out of the Beaufort, particularly for working  
 in the deep water offshore, since we have to have the capability of accessing  
 our equipment on a year-round basis. I would suggest that when this step  
 is taken in Canada's north, it could have some impact on the mining industry  
 as well. We hope to be able to put this kind of a vessel into the Beaufort  
 within the next couple of years. The only way it could be done, in  
 my view, would be through a massive co-operative effort that would involve  
 the private sector and the government.

Ultimately, we would see tankers as being the most practical transportation  
 system for carrying oil out of the Beaufort Sea. Both tankers and pipelines  
 are feasible, and under some circumstances pipelines are better, and under  
 other circumstances, tankers are better. In our particular operation,  
 where we are already starting in water that is 150 feet deep, we favour a  
 base-type development in the Beaufort Sea where each phase consists of an  
 island, and a number of wells from that island, and various production systems  
 go with it, and then a couple of tankers to carry the oil from it, and  
 when you have digested that particular phase, you can do it again, and build  
 a couple more tankers, another island, and so, after you have digested that  
 one, you can go to the third and fourth, and so on. The technology, again,  
 without a doubt, exists to do this right now.



This is an artist's conception of the production that one could use off-shore in the Beaufort Sea, and this is really a fallout from the island-building operation that I have been describing to you, illustrating that, with four steel caissons, like the one I showed you, we could build a very, very large island relatively inexpensively. The island would have a lee side, as illustrated by the cutaway, that could be approached by supply boats, and, of course, by tankers, on a year-round basis. We'd need very large dredging equipment in order to build structures of this sort. Like I said, the dredges that we have been using are Dutch dredges. The state of the art for dredging currently resides in Holland. The particular dredge shown here is about three times larger than the largest dredge that exists in the world today. There is no question about our having the capability to build this kind of equipment. It couldn't be built in Canada, only because of the shipyards but, in my view, it would not be a very big step to transfer the state of the art in dredging to Canada from Holland.

This illustrates a different type of caisson, which is one that goes further below the sea floor. The advantage of this particular one, is that it doesn't require as much gravel to build the island. The disadvantage is that its ice resistance isn't as good. These are the kinds of vessels we feel will be required in the Beaufort Sea in the next decade. The size of the vessels is relative to the size of the silhouette, with the largest vessels being the icebreaking tankers that are shown towards the center of the slide. You might contrast these with the smallest spot you see up there, which is the 200 foot supply boat, near the top of the slide. There isn't a lot of steel in these particular vessels, something I know this area is keenly interested in. The tankers themselves have about 80 000 tons of



l, with a tremendous amount of hardware. One of these tankers could  
y about 200 000 tons of oil. It would cost about \$300 million. Assuming  
a new shipyard were built in Canada to handle this kind of facility,  
eel that a vessel like this could easily have a 90 percent Canadian  
ent. Most of that benefit would clearly be in the manufacturing and  
l manufacturing side.

This rather busy slide I won't explain in detail, other than to show  
where we stand with the ship building industry in Canada. This little  
e at the bottom illustrates the existing demand for ship building in  
da; the next line up illustrates where we could get by doing some  
rnization of the existing shipyards. If we really want to get into the  
building business in Canada, we would have to build some brand new  
ilities. Then we would be able to expand our capacity to the area that  
own in green. We advocate developing this kind of capacity, because  
eel there is a need for a high technology type of facility in Canada, to  
d the kind of equipment that is going to be required to develop our oil  
gas frontiers, not only in the Arctic, but in the East Coast.

This is a picture of the Davies shipyard in Lauzon, Quebec, and one might  
are it with a very modern shipyard in Sweden and compare it again with  
kind of shipyard that we think eventually should be built either on  
da's East or West Coast. This particular shipyard would cost about  
million. The ship building industry in Canada is very much in the  
ken and egg type dilemma, and probably has been for 75 years. What happens  
his business is that when someone wants to build something, he wants  
uild it right away. When we wanted to build this steel caisson a year  
the capability didn't exist to build it in Canada. When the ship



building yard is looking to expand their facilities to build this kind of an installation, they go around and canvas the potential clients who say, "we don't have anything to build, we just built it," and consequently, nothing ever happens. We really need to find a way to breach that circle and get this kind of facility off the ground.

This slide tries to put the whole thing together in the Beaufort area and show what could happen if development were to proceed in that area at a moderate pace, and what could happen over a ten-year time frame. We would not expect this kind of activity to commence in the Beaufort Sea until 1985 with the first production probably 1989, or 1990. Once we get the first project off the ground in the Beaufort, then we are going to be looking at fantastic demand for goods and services. We expect that \$40 billion will be spent in that area over a ten-year time frame, once development starts. You can take a rough cut at where that \$40 billion would flow, and we would see about 55 percent of it flowing to the Eastern and Maritime provinces with the balance of 45 percent of it to Alberta, Saskatchewan, and British Columbia. A small component of it would be foreign.

This slide also preceded things like the exploration agreements. We had established for ourselves a target of 85 percent Canadian content in development activities. That's about the level of Canadian content that we have had in the last several years in our operation.

Since my time is running short, I am going to skip through the next few. I'll dwell on this one for a moment, because this is a kind of a standard oil industry pitch here, and also perhaps, it explains a little bit about the objectives in my view of the national energy program. This



bit of a busy slide, but it's intended to compare the relative impact of importing oil into Canada, versus producing it ourselves, and of course, we are importing a substantial amount of oil in Canada. I think these figures probably deal with 1982, but based on \$36 a barrel oil, we were spending something like \$13 billion a year to import the difference between our ability to supply oil and our actual demand. Now, of course, none of that \$13 billion remains in Canada; none of it goes towards creating jobs or spending for goods and services, and of course, the government doesn't benefit from it because there is no tax provision, and no spin-off. If, on the other hand, that oil were to be off-set by domestically produced oil, the \$13 billion would be spent buying Canadian oil from Canadian companies, and the benefit to the country would be about three times that amount, or \$34.5 billion. The jobs that would be created would be in the hundreds of thousands. We can just go on and on over the benefits of developing self sufficiency in oil production. Of course, this can only happen through developing frontiers and projects like the Tar Sands. I think with that, I'll stop, and see if there are any questions.

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MODERATOR:

Thanks a lot, Murray. As you can see, Murray has laid open some amazing opportunities which exist. When you look at what has happened in the last couple of years alone, in terms of the expenditures on ships and the development in new technology, it's a very significant level of industrial and commercial expenditure. Are there any questions?



Q. What about Canadian and Foreign companies? How are they competing technologically?

A. Well, the sort of thing we are looking at in the frontiers is Canada's developing the technology, and without a question, that is certainly happening. The benefits have been accruing to Canadians, because we are dealing with Canadian technical people. We are dealing with Canadian employees, and to the extent that we can, using Canadian built equipment. The only time we are not using Canadian built equipment is when the facility does not exist in Canada to build it. Price is obviously a factor, but speaking for our own company, I can accurately say that I can't think of a single case where we have gone outside of the country to buy something because it was cheaper. The only reason we have gone outside the country to buy something was because it couldn't be provided in Canada.

If I can add to that, all the oil companies working on Canada's land are treated in exactly the same way. The thrust of the new policy and the Oil and Gas Act has been to ensure that a Canadian source is used to trigger as much opportunity for Canadians as possible. If you plot the past against where we are now, and where we are going, you will see a very dramatic change in the spin-off benefits both direct and indirect. I think the oil companies have responded to the challenge of the new government policy remarkably well. As Murray mentioned, Esso's level of northern expenditures and Canadian expenditures has changed quite dramatically over the last five years, and they are leading the way for the whole industry in terms of the percentage of Canadian spin-offs.



I'd also suggest that we haven't done this because the government told us to do it; we've done it because we think it's the right thing to do. It's for us to endorse the kind of terms that have been attached to the cooperation agreements that really do cause you to have to do these kind of things; I'd certainly hope, though, that the government doesn't establish a large bureaucracy to cause us to do things that we are already doing without it.

I'd like to draw attention, that the Honorable John Munro is now with us and will no doubt be participating in the discussion.

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I just wanted to thank you very much, Murray. In a way, it's unfortunate that we had competing interests here, ILAP and so on. I hope some of the businessmen in Hamilton will plug into the gas and oil industry in the Beaufort. Some of the computer lists of supply and suppliers, I am not sure if they are in preparation by Dome, by Gulf, by Esso, in the Beaufort is up to two billion dollars so the potential for business in an area like this is just tremendous. I don't know if companies such as Westinghouse or Firestone are turning up on some of the lists. I remember about two years ago Dome showed me a computer printout of some of the manufacturers and suppliers they were inviting to bid. I wasn't overawed by the number of companies from this area, particularly with the difficulties this area has been going through. Just yesterday, I was at an oilfield in the Tar Sands with their executives. They were showing me all the heavy equipment they are using now, the tremendous number of vehicles ... and in this particular case, not a Firestone tire. I mentioned that to Murray when he met the president of Firestone this morning. I am very discouraged to think that



this region is not playing a predominant role in the computer printouts that Dome and the other companies are looking at. If that is the case, there may be justification for that, but it would be very disturbing. (Hon. J. Munro)

Q. More of a suggestion. It struck me some time ago, that we could use a catalogue of your needs. Our problem is that we are so far away from the Beaufort and it's hard for us to identify what the needs are down here. I don't know if you have ever thought of it, you have your computer printouts and so you know what your requirements are. We have a manufacturer in the room right now who makes steel boxes and steel equipment, and I wonder if there is some way that, either as an individual effort on the part of Dome and Gulf and Esso, and the rest of them or whether as an industry, you might somehow or other develop a catalogue so that we here might know what the needs are? I don't know whether it's too practical, but it's something that's bothered me for a long time, because I don't feel that 20 percent of that \$40 billion over five years is a big, big piece of money. A lot of it should go in here, and not just to Westinghouse, or Firestone, but to others. Thanks very much.

A. I think you are dead right. That's what this Conference is about, information, and what the constraints are on giving the information to the right people, because if you don't know what's going on, you will never be able to compete and win those opportunities. Do you want to comment on that, Murray, in terms of your company?

Well, it certainly wouldn't be difficult for us to do. As a matter of fact, we do this already with northern business. We really have tried to hard to stimulate and develop northern businesses. What we do with them,



ually, is put together a listing of our requirements for the entire year, we work this through the Chambers of Commerce so that list, then, becomes available for anyone who wants to get into a new business, or expand his business, or perhaps just do some more planning for his existing business. Another thing that we have in our exploration agreement that I don't think anyone else has, is a listing of everything that we are going to need, and also add to that our bid list of the people that we are going to be dealing with, and then we highlight wherever we are going outside the country, any particular material. I think we are all keyed in on the main problem that it is certainly trying to match supply and demand. In my view, one problem we are still going to have with these exploration agreements, is that when, by the time we need something, we need it right now. For example, the things that we buy outside of the country right now, are huge rubber fenders that we use in our ships, and you are familiar with fenders, but in an offshore environment, you need fenders that are about ten feet in diameter of rubber. Well, I think that Firestone could manufacture something like that; it would be something that I expect they would have to tool up to do. I need some fenders this summer, obviously I can't get them from Firestone, I have to go back to Yokohama to get them. But next year, if Firestone knew what I needed, perhaps they could be ready to furnish them. Another suggestion that I would make, and that is, if the various Chambers of Commerce can get together and put a delegation of ten or 12 people together, I think maybe they would like to tour areas in the Beaufort Sea, Mackenzie Valley and get a first-hand look at some of the things that are going on there.



Q. I identified some components that could be made here in Canada. Now, my problem is to contact the right person and the right department. These are specialized components, and we have to check out the engineering aspects in the first place to learn about material specifications, demand for these components, maintenance programs and things like this. Would you be able to tell me, for instance, in the case of the deck rights, who is the individual I should contact, and when subsequently there are other components needed? And this applies not only for Dome, it applies for Esso and other companies too. So I would agree the list is beneficial to see what you need. We could provide the appropriate items, but I need the department and individuals who have the component knowledge so I can learn what you expect from our supply.

A. Well, of course, that is easy for us to hook you up with the right people.

In terms of the government process, and I try to stay away from boring you on the bureaucratic side of things, there is the office of Industrial Benefits which is part of Industry, Trade and Commerce, which is now called DRIE, Department of Regional and Industrial Expansion. There is an office there that tries to screen these exploration agreements to ensure that the Canadian benefits are extracted, and obviously part and parcel of this is to try to get the bigger picture. Dome is a very major purchaser, but to build an industry on just one company is sometimes not enough. I think there is a responsibility across the petroleum industry, and certainly within government, to ensure that information is all brought together to see if there is an economy of scale there to allow Canada to establish an industry that it presently does not have. We can supply you with that information.



There is in Dundas, one firm, ironically, that has shown what they can but I guess the demand for that particular product is not all that great; once they have them, they have them.

Unintelligible.

That's money in the bank as far as your firm is concerned, because I sure Suncor wasn't saying all these things to please me, I sensed that they were very pleased with that equipment, and when it's all put together, it is a fairly significant investment.

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ERATOR:

I wonder if we could come back to the last presentation, to be fair to the panelists, and then we can perhaps have a wrap up discussion in order to cover all of your interests, so I'd like to call on Gerry Kalyniuk from Esso Resources.

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RY KALYNIUK:

I'd like to identify in the back of the room, Brian Hill. If you would like to stand up, Brian. Brian is the Director of Major Projects for the Department of Indian and Northern Affairs. He is involved in the planning and the management of major projects, and can certainly help you in terms of where to go in government, and we will follow up on any commitments that are made here.



I have about 15 minutes of prepared comments, and then I too, as well as the other two panelists, would be happy to answer any questions that you may have. All I can say, is the people in those other two rooms don't know what they are missing. I thought I'd start out by talking about two projects that we currently have underway already, in the north, and then talk a bit about what we see for the future from the oil and gas industry point of view, specifically Esso Resources' point of view. I'll qualify right now that Dome and Esso's views on the development of the north don't necessarily agree, but that is what makes the world go around.

This is a location map, just to start us off here; our experience in the Western Arctic goes all the way back to 1919, when we drilled a discovery well at Norman Wells, and since then, we have collected over 35 000 miles of seismic data and we have drilled 230 wells in the Western Arctic. Eighty-three of these 230 wells were drilled in the Beaufort Sea - Mackenzie Delta region; twenty of them from man-made islands, some pictures of which you have already seen from Murray, and our total exploration expenditure in the Beaufort to date, is over \$600 million. In the early 1970's, after about seven years of exploring onshore in the Mackenzie Delta, we moved our program out into the offshore of the Beaufort Sea, and we chose to drill from a man-made island.

To date, we have built 20 islands in the Beaufort Sea, in water depths ranging from five feet out to 60 feet. This summer, we are going to be deploying our most recent innovation, our newly constructed \$60 million caisson-retained island. The structure, the particular one we have, is made up of eight separate steel segments, each weighing a thousand tons, and they are put together as shown here; filled up with sand, and in that way, we create a drilling platform.



This concept dramatically reduces the amount of sand required to build island from which to drill; and I should mention that although the caisson built in Japan, the \$14 million worth of steel that went into it came from here.

In April of 1982, we signed six exploration agreements with the Federal Government covering all of the acreage we have under permit in the Mackenzie Delta - Beaufort Sea area.

Simultaneously, we concluded an agreement with a number of Canadian companies whereby they would earn 50 percent of Esso's interest in this acreage by drilling seven wells in the offshore and six wells in the onshore, by funding up to a maximum of 90 percent of the program. The expenditure for the Beaufort explorations project, as we call it, from 1982 to the end of 1986, is going to total \$850 million, so that's over and above the \$600 million that we have already spent. That's a very brief overview of the Beaufort exploration project and, as has already been mentioned, the dollars involved are very large, and there just has to be a lot of opportunity there for everyone to participate in, both Northern Canadians, Southern Canadians alike.

Our second major northern project is located some 300 miles south of Beaufort Sea at Norman Wells; and this project has two major components, first, which is managed by us is resources, involving a construction drilling program at Norman to provide for the expansion of production from its current 3 000 barrels a day to 25 000 barrels per day by mid 1985. The second phase, which is managed by Interprovincial Pipeline Ltd., is the construction of a 540-mile 12-inch buried pipeline from Norman Wells to



Northern Alberta. Only about 40 percent of the oil reserves in Norman Wells are accessible from the natural islands in the Mackenzie River, and from the mainland shore. As I said, currently about 3 000 barrels are produced to provide feed stock for a small distillation type refinery that we have built up there, that operates the supply of fuel to the local communities. It's also barged north on the Mackenzie River during the open water season. In the 1970's, with the rapid rise in world oil prices, we determined that it was technically feasible, and also economically attractive, to expand production from Norman Wells by developing the previously inaccessible portion of the reservoir beneath the River.

The facilities required for the oil-field expansion include six man-made production islands, in the Mackenzie River, and 150 new wells. Eighty-six of the wells will be drilled from the production islands. Surface facilities will consist of flow lines, main gathering lines, and testing and control stations, also a central processing plant on the mainland, which will have equipment for crude oil separation and treatment, water treatment, gas processing, electrical generation, that sort of thing; all of which include a lot of steel; and I am sure, a lot of manufactured goods that could come from this particular region. The production facilities I just described will cost \$640 million. Thus, between these two projects, the Beaufort exploration project, and the Norman Wells expansion project, Esso Resources directly, and its associates, will be spending over \$1.5 billion on activity directed at petroleum exploration up in the North, between 1982 and 1986. That figure does not include in excess of \$500 million that Interprovincial is spending for installation of the pipeline from Norman Wells to Northern Alberta.



There are many aspects to the management of large projects such as this, our philosophy in undertaking these kinds of big projects is to make sure we have our act together before we take the first step, because of the magnitude of dollars involved.

I've summarized some of the key elements of our project planning process and I don't intend to go through them all in detail, but I'd like to focus in on the one there called Industrial Development. It is the particular area in which I think we are interested today. This isn't particularly a new slide, but for those of you who are truly interested, such as the gentleman who spoke just a few minutes earlier, I do have some handouts in my briefcase. I'd be happy to leave them with you. They spell out, in more detail, what we have here, exactly what our industrial benefits and the Canadian benefits are, and what our policy is. Briefly, the key principle of this policy is that we will provide maximum opportunity to Canadians to benefit from our operations, through provision of goods and service on a competitive basis. There are a number of things we do to ensure this: We try to package our bids in such a way that Canadian companies have an opportunity to bid. In some of our tenders, we now request information on local and Canadian content. We have been doing a number of studies with the federal government on supply shortages, just what goods and services aren't available currently in Canada, and what could be available in Canada, if the effort were made to do so. As I recall, we have just completed six of those supply studies and there are another eight underway, so there are some initiatives to foster the type of thing that I think you are interested in having happen. I think so far, we have been having some good and credible results.



This shows our 1982 results ... the amount of money, or the Canadian content, that was spent ... the amount of money that we spent in the North in 1982. As has already been shown, on some of the previous slides you have seen and has been mentioned by Neil, 20 to 30 percent of these expenditures flow to the province of Ontario.

To say a few words about what we think the future holds, as Murray mentioned, and showed you on a couple of slides, Canada's growing independence on imported oil to meet the increasing supply shortfall can be eliminated by the orderly development of all of our potential new energy supplies; not only up in the Beaufort, but off the East Coast, the Arctic Islands, and with synthetic oil as well.

Several small projects, spread across Canada, may well be more manageable, would definitely be more desirable and would avoid overtaxing and overheating any one region.

Our current assessment of the ultimate potential of the Mackenzie Delta - Beaufort Sea area is in excess of six billion barrels. We estimate that, in total, industry has already discovered about 280 million barrels of oil reserves in several small pools in the onshore and near-shore shallow water areas. Because of its good resource potential, and a positive investor climate, we think there is good potential to have about one-third of Canada's shortfall by the year 2 000 coming from the Beaufort Sea. From the experience we've gained from working with many stake holders involved in planning for development of hydrocarbon resources, we've concluded that the best strategy for developing the hydrocarbon resource base, in Northern Canada, is to progressively develop the existing oil reserves in the Mackenzie



ta, and nearshore Beaufort Sea area in a way that will be compatible in developing anticipated future discoveries in the deeper off-shore a way that is supportive of the aspirations of the northern communities.

Basically, our development plan for the Western Arctic involves gradually building crude oil production, starting first at Norman Wells with a modest sized project, as I've just described, followed shortly thereafter, by a similar sized project in the Mackenzie Delta, and finally, to a larger scale development in the Beaufort.

We refer to this as a Phase Development Approach, versus what might be commonly referred to as a Mega Project Approach, whereby one would bring production on by a high initial production rate of one-quarter to one-half million barrels per day. If a schedule similar to this can be achieved, an environment will have been created, we think, that will allow larger projects to come on stream in the early 1990's.

Currently, the key activities relative to planning for major hydrocarbon development revolve around the Beaufort Sea - Mackenzie Delta environmental impact statement, being sponsored, jointly, by Esso, Dome, and Gulf. This seven-volume statement, which cost \$14 million to generate, I might add, addresses development of both oil and gas resources in the Mackenzie Delta, Beaufort Sea region, and associated transportation alternatives, namely icebreaking tankers or pipeline.

The statement examines the potential social and environmental effects associated with development or production levels which could reach as high as 1.5 million barrels per day beyond the year 2 000. This apparently high



production rate was chosen for this statement to ensure that all potential impacts would be identified. We don't necessarily suggest that you want to use that kind of high development profile for business planning purposes. Probably the most unique challenge, in the near term, we think, is the political implication of any of the resource development and transportation alternatives. Currently, there is considerable pressure from many areas of Canadian society to proceed with development up in the North to get the economy rolling again. Similarly, there are many people, both Northerners and Southerners alike, who think that the many problems associated with the North need to be addressed before any development proceeds.

The key challenge, in light of all this controversy, is for industry and governments to work in a co-operative and supportive manner with all of these groups during the regulatory process to ensure that the political problems associated with development are managed effectively and positively. The economic benefit of large-scale development in the Beaufort would be distributed across Canada. This is our analysis of what would happen. I don't think the numbers are very different than the picture that Murray just showed from Dome's point of view, and you can see again the percentage of dollars that we see flowing into this particular part of the country.

As I noted, at the beginning of my presentation, thank you for inviting me to speak to you today. The last message I would like to leave with you is that, in light of the complexity and magnitude of the development of the North, I think it's evident that government can't do it all, and business can't do it all, and neither can any one segment of our society do it all. There really is a need for joint action on all of our parts, and I



nk you people here, in this particular part of the country, are as much  
 stakeholder in what goes on, as far as development of the North is concerned.  
 tainly, there is something in it for all of us, but there also has to  
 some initiative demonstrated by the business community, from this  
 ticular part of Canada, to find out just what is going on up there; if  
 want to participate to the extent that I think you do. Thank you.

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ERATOR:

Thank you very much, Gerry, that really rounds out the presentations  
 remely well.

I'd now like to invite the other panelists to come back up here; and to  
 ite questions from the floor.

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You mentioned about having certain things built in Japan. I believe  
 t you meant by having them built in Japan, they would come over in one piece.

I think our shipyards here could possibly handle sections of these units  
 possibly weld them together on the North shore up there. Just a few  
 rs ago, or quite a few years ago, an Owen Sound firm built the Maid of  
 Mist in Niagara Falls, and they put it in the Gorge, because they didn't  
 e the heavy equipment to drop it in, in four sections. I think if you  
 ked at our ship building industry, you could quite possible see that a  
 of our stuff could be built in sections, and possibly cheaper, towed up  
 re, and then welded or constructed there into one-unit pieces. This  
 , we would have the labour here, and also the steel industry here both  
 lized.



A. Thank you very much. Do any of the panelists wish to respond to that?

PANELIST:

I have a couple of comments that I would like to make. That's a fair observation, and I can't disagree with the comment that the particular caisson that we have designed comes in eight separate sections, a couple of others don't, so there are limitations on shipyard size, but aside from that, whether it can be built in one piece, or eight separate pieces, I could give another reason why it's not a good idea from an engineering and construction point of view to build one piece over here, and one piece over there, and then when you get them together, they might not fit. But, I think that's a secondary reason. The primary reason we ended up building our caisson in Japan was price competition, and our basic business philosophy with Esso anyway, is still free enterprise. People have to be competitive. The steel that we buy from Algoma and Stelco, we buy on a competitive basis. You may say, "You should be willing to pay a little bit of a premium to stimulate economy, and keep jobs in Canada." That's probably a pretty good observation, as well, but it's not a black-and-white situation; and just how much of a premium should we be willing to pay, whether it's for steel itself, or to get something fabricated? Maybe a little bit of a premium is acceptable, but when you get up into 40 or 50 percent premiums, it's not.

I'd suggest that probably most of the heavy thinking is being done by the Department of Energy, the companies; a couple of the provinces, I know, are investing jointly with the federal government on other sources of energy.



Do you put out publications about career opportunities, or the type of work available, and where to get it, and such?

We do put together, every year, information packages for career opportunities with Imperial Oil Ltd. and Esso Resources. These go to the universities, primarily when we are recruiting new employees. You could also obtain these directly through the Human Resources Department of Imperial Oil, in Toronto. If you are interested in getting something of that nature, you could leave me your name, and I could get one mailed to you.

For those types of jobs that would come out of Calgary, probably the best thing for you to do, is to get in contact with Calgary. If you wanted, I could leave you my card after this meeting, and get you access that way, if you so desire.

Your question may be a very specific one, in connection with your own interests in a job, and that's a very real question. I think that I should mention that the Mining Association of Canada publishes brochures which inform people, at university level and at high school level, particularly at high school level about the type of jobs that are available in the mining industry in Canada. As a matter of fact, about a year ago, we conducted and completed conducting a program which was to introduce people that were looking for work for specific job opportunities. Regrettably, we had to curtail that program because of lack of budget. There is a lot of work that is being done to advise young people in Canada of the opportunities which exist, not specifically the job, but the type of work that one can get in mining communities, and what the nature of life is like, and the joys of working in the North where you can fish and hunt and do certain things by just stepping out your back door!



MODERATOR:

Thank you very much, Harold. There is no question in my own mind that jobs in the North are particularly exciting and challenging, as you have seen from the pictures. I know that there are a number of mining companies that have to hire right across the country, because in times past, perhaps not now, they have had difficulty in attracting the right skills. I know the oil companies still, when they look ahead, are faced with some very real constraints, in terms of skills, labour skills of all types, so a fair amount of work is being done on this by CAC, and the individual companies themselves.

Well, I would just like to wrap up, where we started. I posed the question "Why are we here?" to try to establish the linkage that, apart from the fact that my Minister was very obviously concerned about the problems here in Hamilton, there is great opportunity in the North. I think that it's become quite obvious to all of us that there are very significant opportunities there; where there's sufficient capacity, expertise, and talent. There is a need to join the two. This has been a start in terms of providing that information. I do hope that people will follow it up. Perhaps there will be an opportunity to have another seminar along these lines. Trying to match demand and supply is going to be a continuing battle, and I hope that this has been a good step towards changing that, and meeting challenge. Thank you very much. Would you like to say anything?

The Department of Industry, Trade and Commerce and Regional Economic Expansion have provided a major projects inventory. It's available at the back. I think it's rather interesting to look at some of the statistics there; for example, in terms of the projects which they have contained in here,



prisingly, the Northwest Territories and the Yukon come out as No. 4  
across the country being beaten out only by first, Quebec, presumably James  
, next by B.C., then Alberta, and fifth, Ontario. When it comes down  
to actually committed projects, a slightly lower figure, actually, Quebec  
is still ahead, with Ontario next, but the North is still No. 5, so actual  
projects that are on the drawing board, and they are not in any way,  
representing the more forward looking ones that Murray and Gerry have talked  
about, represent \$17 billion of expenditures. Quite clearly, that is a lot  
of industrial business activity, and a lot of employment is captured in that  
figure. They are at the back, and I welcome you to pick them up and have  
a look.

As a Canadian and Hamilton representative in Parliament, I want to say  
I have travelled a lot in the North, and there is tremendous opportunity  
there. I am going to see that your comments are spread around the Chamber  
and widely circulated. Interest could mean a lot of jobs for a lot of  
Canadians. Most sincerely, thank you all very, very much for attending,  
and informing all the delegates. (Hon. J. Munro)







REVENUE

MODERATOR: Hon. Robert Stanbury, President, Hamilton & District  
Chamber of Commerce

PANELISTS: Mr. Ron Giles, Director, Revenue Canada, Hamilton Tax  
Office, Hamilton

Mr. John Shearer, Regional Collector, Revenue  
Canada, Customs, Hamilton

Mr. Murray Gies, District Manager, Revenue Canada,  
Excise, Hamilton

Thursday Morning, June 23, 1983



REVENUE

Our real function is a role of administering the Income Tax Act and the function of servicing the tax payers in the taxation district of Hamilton. We are very much a part of this community. I listened with some interest to the quotation from the Bible this morning in our first plenary session, and of course, in Canada, we have had an Income Tax Act since 1917, but I am sure our existence in the society goes back to Biblical days, we have always had tax collectors very much a part of the community. I am sure when we consider our tax rates, and so on, you can almost consider us, in some instances, a 50 percent partner in your operations; so that we are very much a part of this business community in those terms.

What is the function of taxation? We have a self-assessing system, and our basic function is that of a tax payers' service, providing service to the taxpayers. Of course, we look at compliance in terms of also assisting in bringing about the proper service to the taxpayers in order that we are serving all of the taxpayers and bringing about that they can better comply with the Income Tax Act.

In terms of what is the role, on a national basis, taxation is responsible for handling returns and the collections in the area of \$50 billion is determined at this point of time. So this is our overall operation, and we have, in taxation as a whole, about 15 million individual taxpayers, about half a million T2 Corporations, and within our own Hamilton area here, we are



ing in the neighborhood of 600,000 individuals and about 13,000 corporate  
 yers, and, of course, we have about 26,000 employers which must be  
 ced, and so on. So this is the framework which we will be discussing  
 . I will just make a few comments on our organizational structure,  
 omments on taxpayer service. Mr. Walsh and Mr. Newton will be commenting  
 in terms of bringing the compliance aspect of it.

How is taxation actually organized? Of course, the Minister  
 tional Revenue, is responsible, as Mr. Stanbury said, not only for the  
 ion arm of taxation, but Customs and Excise, and in Ottawa, there is  
 uty Minister, and under his jurisdiction, there is the ADM of legislation,  
 policy assistives. At one point in time, we had the ADM of operations  
 ll, which had a number of district directors, 28 in total reporting to  
 but recently we have regionalized, and we have four regions in Canada,  
 ADM of Operations. Now, the regions are located in the Maritimes, Quebec,  
 io, and the West. This would add to our operational effectiveness and  
 iency in terms of being more responsive to the needs of the regions and  
 rea; and of course, it did complement the government policy of  
 tralizing operations from Ottawa. In Ontario, in our own region, our  
 nal office is in London and we have 11 district taxation offices which  
 des Hamilton and two taxation centers. That is basically the organization  
 e taxation department. Now, when I mentioned about the taxation centers -  
 ion centers were really the development from the advent of computerization.  
 ally, we had the data center, in which massive data had to be correlated  
 brought together for input into the computer. With the development of  
 ronic processing and direct data entry, we had the development of taxation  
 rs. The taxation center is primarily responsible for the immediate



processing of returns. I mentioned there are two taxation centers in Ottawa, and two taxation centers which would be servicing the Hamilton area. One is in Sudbury, one in Ottawa. The one in Sudbury would be handling individual returns, employee returns, information returns, while in Ottawa, corporate returns are being processed. Now, the function developed, as I say, from a data center into a taxation center, the taxation center being where you not only process the returns, make routine adjustments, matching adjustments we have from information returns, but many of the routine operations that do not require face to face contact with the taxpayer. I think this is important to understand in terms of our operation today, that any face to face contact is still within your district, within Hamilton, at 150 Main Street, here. We are responsible for any face to face contact, and in assisting with the taxation center to clarify any problems that you may have with that center. We must remember that the centers are in the development stage. Sudbury center first processed our returns, in the Hamilton area last year. They are now taking in such other districts as St. Catherines, London, Belleville, and there are some, processing problems that have ensued from those initial stages. But I think it is important to bring to your attention to what we do here, in Hamilton. We deal with people face to face, and are prepared to handle any problems you may have, on your behalf, with our processing operation in Sudbury or Ottawa.

Now for a comment on taxpayer service. The department, our taxpayer service, or the inquiry unit, admittedly is directed to particular individuals, for servicing the particular individual. Now, businesses, we naturally handle that too, but I'm saying the basic thrust to our taxpayer services is to assist individuals, whereas businesses, corporations, have the professional expertise to assist those people. But, in small



nesses, of course, we feel we have the knowledge in terms of expertise assist you there, particularly when you are starting a new business. Welsh will be talking to you about opening accounts and this type of g, and getting you on a proper system whereby you would, by normal ine, be deducting and remitting. We now have an inquiry telephone correspondence. You might be interested in those figures. In a fiscal s, we had roughly 300,000 inquiries, if you talk about individuals in s of 600,000. That would mean that on an average that one out of two ayers may be contacting us for individuals for some form of information hat area. Taxpayer service - we also have our public relations program. s an extension of our inquiry program. When requested we get involved adio and T.V. types of sessions and we do have the special programs might assist. I think a program of note might be what we referred to ur volunteer program, in which we train and assist other people to, e filing and procedural matters, and they, in turn, would go to their os of people, be they senior citizens or disabled, and assist them in ally complying with the Act. This goes with some special inquiries of ublic relations, special inquiries that we do have from Members of iament, and this is also channeled through that area.

In taxpayer services as well, and more in the line with the ness, we do have what we refer to as our information bulletins and rpretations circulars. Information circulars really relate to our cy and procedures. This is a distribution to any person who requests nd requires it merely by becoming a part of our mailing list. Back in , and prior to that time, we had what we referred to as an assessing e which outlined policies, procedures and interpretations of various ions of the Act. From 1970 on, this was brought into being and it is



now part of our service to the business community, to the professional community. I am sure any of you who are professionals here, lawyers, accountants, are probably receiving that service now. In addition we have special areas requiring interpretations, and tax rulings. There is a cost involved in that, and Mr. Newton will comment on that and answer any questions you may have in that area. This sets the stage for the organizational structure, some of the taxpayer services we have, and what our function is in terms of the taxpaying public of Hamilton and the business community. I'd like, Mr. Stanbury, to now turn it over to Mr. Newton, who might speak a little on the compliance end of it and the aspect of auditing our process returns.

Mr. Newton:

I'd like to, first of all, reiterate the thanks that Ron Giles has expressed. I hope you appreciate that normally, interfacing with the taxpaying public for us, is, unfortunately, an adversary situation. We don't see people until they have a problem, and people aren't very happy when they have that type of a problem, we don't blame them for that. We are quite willing to accept that as part of our responsibility, but to have an opportunity to meet with a group of business people without the adversary situation, so that we can talk back and forth a little bit about what is available, what we do to, what we can do for you, is really a pleasure. I hope that you will take advantage of our presence here today to ask any questions that you have, to express any concerns. Certainly we will answer anything we can, and as far as your concerns are involved, we can probably express some sympathy. I am going to briefly give you an overview of the auditing of tax returns, and then



on some of the services we provide. I will give you some local information which will perhaps put our operation in a little better perspective when, as an example, mention some of the incentives that are inculcated in the tax system itself.

Now, although most people in Canada comply with the requirements of the Income Tax Act, a comprehensive review of selected tax returns is essential to the protection of the self-assessment system. Without that protection, the system would degenerate. To maintain a high standard of compliance, the Department conducts what I can only describe as a vigorous program of auditing returns, and I would be lying if I said it was anything else but vigorous. Please don't get that out of perspective. What we do, we do with vigor; we don't really do all that much. Returns are checked during the initial processing stages at the taxation center. The district offices also carry out programs to verify claims for deductions, to ensure that all income has been properly reported and to identify those taxpayers who have not filed a tax return. In 1981 - 82, a total of 45,562 files were audited across the country, resulting in a reassessment of 1,562 of those files and the collection of an additional \$511 million. How many returns get audited? Well, most taxpayers receive salaries or wages, from which tax is deducted at source. It is therefore, relatively easy to verify the majority of returns by referring to information provided by employers, and this may be done as part of the routine processing. Other types of returns are considerably more complex, and they may require the auditing of supported records. The Taxation audit program is directed mainly at several groups - corporations, trusts, and self-employed individuals including businessmen, professionals, farmers and fishermen, and people who receive investment, rental and commission income.



Throughout the year, the computers generate lists of corporate taxpayers such as wholesalers and manufacturers, and individuals including the professionals and the farmers, the self-employed individual, other than the people who receive a regular salary. These lists are sent to us in the districts where we have people look at them in a fair amount of detail, very skilled people, (they are called screeners) the usual jargon. They select those that appear to have the greatest potential for additional tax, and there is no sense that's not what's done with those selected returns. That's what we are going to do, because we are going to support the self-assessment system. Part of the job of the screeners has been taken over by computers; they are programmed to select the higher risked businesses and eliminate those where compliance is fairly obviously quite good. This reduces the amount of work that has to be done by the individual examining the returns. The computer actually scores the returns on a number of points, and it indicates its potential for tax recovery. The returns selected from those with the highest score are then subject to audit by our district office staff. Now, the larger corporations are audited more frequently because of the tax yield potential of such odds. In addition to using the traditional screening method, in which individual taxpayers are selected, for potential tax recovery, the department also identifies groups of tax payers who have been found likely to report less income than they should. Groups with the highest potential for understating tax may be found in any industry or profession. If the department notices a significant lack of compliance with tax laws among members of any group, all its members may come under audit on a national scale if necessary. This approach makes awesome use of departmental resources and is most likely to improve voluntary



liance. We have the saying that a local project and a national project are different. A local project only annoys the local member who gets the complaints; the national program allows us to annoy every member of the House of Commons at the same time. In 1981 - 82, there was an audit conducted in the project, in the fishing industry, which included all the fishermen, and all the buyers and processors. It has continued and has resulted in substantial tax recoveries, I don't have the figures. On the national level, the department has devoted very considerable attention to waiters and waitresses, across the country to improve compliance with this group of taxpayers. A great number of them felt that tips were not taxable. Investors in real estate, including the very popular multiple unit residential buildings, or MERB's as they are called, as well as investors in securities and other holdings have been the focus of considerable audit activity, leading to significant tax recovery, but not really a project in that sense.

There are basically two types of audit that are done. Mr. [unclear]'s staff conduct what we refer to as an office audit, and my staff conduct basically what we call a field audit. The office audit staff generally work inside the office; they clean up details of income and expenses and transactions; and they do this by asking questions, usually by telephone or letter, or by inviting somebody in for a personal interview. A field audit involves a detailed examination of the taxpayer's records and usually it's conducted at the taxpayer's place of business. It may take anywhere from a few days to several weeks to complete; and the field audit staff include professional accountants trained to examine complex records by a large corporation, as well as records of smaller businesses, sole proprietors, and farmers, but on those we're more inclined to use



student accountants, rather than graduated professionals. The field audits may take several other forms: we have industry-wide audits, and we have team audits. The industry-wide audits involve the co-ordinated audit of all of the corporations or businesses within a particular industry. Team audits use a group of individuals with different skills to study the records of large corporate organizations for maximum effect. On a smaller business, we have one taxpayer - one auditor concept; on a very large corporation, such as some of the very large industries here in Hamilton, we will use a team of auditors, under the direction of a very skilled manager. That team may consist of five to eight people. You will have a couple of good professional auditors, a couple of students, a data processing expert, maybe a real estate expert; we may retain an economist to go along on the team, anybody who has expertise that we don't have is available from other government departments. With this approach and expertise, the department is able to carry out a more complete audit and a more in-depth audit, and the thing that makes it attractive for large corporations is that we get in and out in a much shorter elapsed time - they haven't got somebody sitting on their doorstep month after month going through the records.

The computer staff has, of course, become increasingly necessary because of the tendency of everybody to go to computers. We employ specialists, such as equity valuers, who value the shares of private companies; we employ real estate appraisers, who appraise real estate, land and buildings, and this is of course part of the capital gains reinforcement program. We try to ensure that audits are fair; in assessing and collecting taxes our principal objective is to ensure the fair and impartial treatment of every taxpayer. The audits are reviewed



the district taxation office and our head office co-ordinates and controls these reviews to make sure the tax law is applied consistently and uniformly across the country. I guess I should say something about reassessments and penalties.

If the auditor finds the tax has been overstated or understated, the department will advise the taxpayer and give him an opportunity to make any explanations he may wish to make, and after that time the case is reviewed again. If the department feels the taxpayer has significantly understated the amount of tax, or that the understatement of tax was the result of gross negligence, the taxpayer is informed that a penalty is being considered, and is invited to present reasons why it should not be applied. When the taxpayer's response is received, the full circumstances of the case are reviewed again at a more senior level, and the department may then determine that a penalty is in order, and that the penalty is 25% of the tax unpaid, which is a very stiff penalty.

The taxpayer who receives a reassessment notice, has a right to appeal to file a notice of objection, and take the matter to appeal through the courts to ensure that he has been justly treated. If, of course, an auditor is deliberately attempting to defraud the government by not paying money owing, they may refer the case to our special investigation division, and this is the section that deals with tax evasion. Additional information on our auditing is available, and if you are interested, there is an information circular published, called The Tax Audit; these are very readily available; drop into our office on Main Street. Get one of these and read it over. The overview of operations is also published and is available to the public. It's updated annually, the latest edition is called Inside Taxation, 1982. These are available, and contain an



overview of not just the audit operations, but the whole department, including the districts. Now I will speak briefly about the services that we provide. I am sure you don't think my audit staff is providing service, but we do. We've mentioned the information circulars and interpretation bulletins that are available to businessmen. These two series, the circulars cover the policy type of procedures, and we issue about 12 of those a year. There is over a hundred of them in existence. I have the index of circulars here, if you are interested in having a look at it, or, you can drop in at our office and pick one up, they are readily available. The bulletins, themselves, are intended to explain the department's interpretation of the law, and I stress the DEPARTMENT'S interpretation. Our policy is consistently changing, and I believe that that is a good indication of the fact that we have never said we are perfect, and we are not 100% right. We'll tell you what our interpretation of this part of the law is, and the courts will disagree with us with some frequency, and thank goodness they do. But, we have published approximately 480 interpretation bulletins covering a great number of technical matter; these also are available. That's the index. Although they are a little difficult to read, if you are interested in a particular topic, and you can persevere, I recommend them. If you are very interested, then write to our information services branch in the national capital, and ask them to put you on the mailing list, and they will send everything we have issued so far, including the index, and from that day forward, every time one is issued, they will send it to you. One information circular I would like to mention, is No. 70-6 R, which means it's the sixth one issued, and it has been revised since it was first issued, and this is the one that covers



ance income tax rulings. The advance income tax ruling may be given the fee for the service is \$50 per hour, and that covers the direct spent on the ruling. There is a minimum charge of \$250. You can a ruling on this whenever there is a bona fide business purpose for proposed transaction. It must be a transaction that hasn't taken place, once we issue a ruling, it is regarded as binding upon the department; that's often a comfort to a businessman who is going to go into thing, and it's a very complex thing, and he is concerned about the ble tax ramifications. The entire system of bulletins and circulars explained in circular No. 70-1.

Now, we have mentioned the public inquiry service that is ded, and I am sure the chief of inquiries here is going to talk about in a little more depth. In addition, to that in my own division, we te what is referred to as an informal consultation service. This is vice where a businessman, if he is concerned, can write in, explain circumstances, and ask if there is a published policy, what is it, ere a part of the Income Tax Act that affects this, and my staff quite readily way yes or no or here is the circular, or whatever can do. They have to be very careful about giving their own ons; as I said the Department's opinion is not always correct: getting to the individual's level, I think the margin for error is considerably er; besides which if you want advice, I don't think you want the kind vice that is going to maximize the amount of tax you are going to pay, ill want to minimize it, and my people, while they have a great standing of how you minimize tax, aren't that good at giving that of advice, because the type of thing you are probably interested is thing that we don't get too involved in because there is nothing wrong



with it.

The audit division, as it is called here in Hamilton, consists of a staff of approximately 125 people. There are five of us who really work on division management side, that sounds like a lot, but most of those are clerks, we don't have clerks spread throughout the operation. We have 15 people who work on large corporation audits; 25 work on the other corporations and the larger self-employed individuals; 30 people who work on the very small corporations and self-employed individuals; 5 people work on what we call quality control. We have one person who is the team manager for the largest corporations; one person who is a tax avoidance specialist; two people who provide the data processing, the EDP expertise that we require; four people who spend their time valuing private company shares; seven people who are involved in the appraisal of real estate, and five people who work on the tax problems of deceased tax payers, estates, and trusts. That part of the intake of returns in the Hamilton area, in which we have some interest totals about 75,000 annually, Of those, approximately 20% will be examined or screened as I've already said, so that's about 15,000 annually we will eyeball; and out of those 10% or 1500 which we hope are the ones with the best potential will be selected for audit attention. I am sure that you are all good enough at mathematics to take a look at, I've got a market out of 75,000 and I am going to service 1500 of them, that's really 2%. People talk about us like we are a terrible menace, yet in fact, we can audit 2% of the businesses in the Hamilton region annually. I don't think that's too great a presence; I think it's sufficient to support the self-assessment concept. Looking at the 2%, the largest corporations, the real giants, are in effect, audited every year. We actually go in every second year, and do two years at once, but this is where we would use the



of five to eight people. That takes up a lot of your manpower. Generally speaking, the larger corporations, other than those largest can expect to see us once every four years, and the smaller employed businessman is not likely to see us with any noticeable frequency. There are a lot of small businessmen out there who have had an auditor on the premises.

I have quoted some statistics, and if you are interested in statistics, we have another publication, called Selected Tax Statistics, that is absolutely full of figures, and this is available and if you would like to have one contact our public relations officer. It took a long time to pull these statistics together and have this printed. Give you an idea of the fact that the Tax Statute is perhaps not as simple as people might think it is, take a quick run down the corporate structure. It will give you an idea of the incentives that are built into the general corporate rate is 46%. Now a small business deduction is available to Canadian controlled private corporations that qualify; those that qualify for the small business deduction, pay an effective rate of 20% on the income subject to the small business deduction, and will pay 40% on the remaining profits that are not subject to that deduction. There is a manufacturing and process profits deduction from which the effective rate of that tax credit is 6% of the income from manufacturing and processing. There is an inventory allowance deduction of 3% of the cost of the opening inventory. There is an incentive built in for scientific research; this is currently a very popular topic and effectively there is a deduction from income equal to 30% of the increase in the amount of scientific expenditures over the previous annual expenditure. There is an investment tax credit, there is



a tax credit available that's equal to \$15,000, and this is a tax credit as opposed to a deduction from income up to \$15,000 and then over and above that, half the amount by which the tax exceeds \$15,000 is available, and it's available to taxpayers who have acquired qualified property. Like most tax subjects, this a very technical thing, and you really have to go into the ins and outs of it. Qualified property, which can include buildings, machinery, and equipment, can result in substantial tax credit, and this an incentive to invest in plant equipment. Of course, there are provisions for accelerated capital costs, writeoffs; the usual writeoff for machinery and equipment is 20% per annum, and manufacturing and processing equipment can be written off at 50% the first year, and the remaining 50% any year you want to write it off, the second year if you wish, and this accelerated writeoff helps in so far as it is applied against taxation in the immediate future.

All of these incentives are discussed in the publications, and I have copies with me. There are interpretations bulletins covering all these others; scientific research, small business deductions, etc. and some of them, you might find our staff won't give you, if you get to see mine, you'll notice I have a photocopy of some, and that's because that particular bulletin is being updated, and they are very reticent to hand out a copy of something they know is being printed again with updated information. If it's not readily available, it will be available shortly, and the staff will mail you one if you really want it.

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I presume that Dave Walsh has some information too, but you have a awful lot of information, and I presume that you have some questions coming up, and you are not here to hear a whole morning of lectures, so we have to give you an opportunity to raise your questions. If you want to raise them orally, please do. If you prefer to write out a question, please feel free to do that too.

Phyllis Montgomery, from R. T. Kelly. Just from a personal point of view, it strikes me, when you are filling out your individual tax return, there is a lot of trust asked on the individual. I do realize that you get T4's, T5's and all that, but I wonder, from the Capital Gains point of view, what information is coming out of the brokerage side to back up values that quoted for price bought, and sold on shares, and what tracking is done of investments into the mortgage areas for the best income being earned.

Capital Gains type information and related information. As far as brokerage firms are concerned, they do not provide us with any information. They are very reticent to do so, and I believe the Supreme Court will be dealing with that situation in the fall. They have a great loyalty to their clients, and I don't argue with that at all; however, the information for listed securities are quite readily available: most newspapers quote them, so that by keeping that information we have that available. The same is on unlisted securities over the counter securities, are also quoted in the newspapers, so that they are available. Securities where there are no prices available, if we are examining a transaction, we have to use a professional person to calculate a value. This is what we call an equity auditor, and there are people outside of the government who do this for



taxpayers who have that kind of problem. Real estate sales are a matter of record, found in the registry office. There are various real estate services provided by the real estate field; they publish market information on sales and things like this, which can give you the value of certain pieces of real estate, and then by comparing one to another, you can determine what the value of a particular piece of land, or land and buildings probably is. Commercial property is more complicated, and in those cases, you need a real estate appraiser. We have some on our staff, and there are, of course, others in business who provide that service to the public. As far as information as mortgage interest is concerned, you can pick up the registration of mortgages in picking up information on real estate sales and purchases, and from that you can determine that interest should have been paid and declared, and if you check, you can tell whether it has been. If we feel that there is a problem in that area, we can arrange for a clerk to list mortgages that have been registered over the last three years, and then match that information against the returns.

Q. I am on the executive of a couple of Chinese organizations, both here in Hamilton, and in Toronto. Recently, there were several of our members, complain to us that the department is requesting information, documentation, to substantiate paying for non-resident dependents. In the past, probably all we needed to do is to fill out a form, T1ENR, or something like that, and also to provide proof that the money has been sent. Recently, it has come to our attention, that the documentation required is very onerous. In some cases, probably the cost to obtain this information is more than justified to contest. Would you care to comment on that?



that you are referring to is the Claim for Personal Exemption for a dependent person be they a parent, or some relative. Is that correct?

We are requesting further verification of that and, in many cases, the finding that the person or the person who is reported as being dependent is receiving some social benefit, has some income in the other country, and so on, and is in fact, not a dependent of the person here in Canada. So, therefore, we are requesting further information in that regard. That is the basic answer to your question. You are saying this is probably too onerous, or in terms of what can be supplied to prove that dependent person is in fact, dependent.

That's right. In some cases, the Department is requesting, a Notary Public to certify the information as correct. In some countries, it is expensive - it could cost a couple of hundred dollars to go to see a lawyer, and I think in that sense it creates a problem.

Sometimes it is very difficult, not by the governments here, that when you go to a government agency, requesting that type of information, nobody will give you that. I think that's the difficulty.

I want to explain to you that there has been some administrative problems in that area, and there have been some abuses in that area, in terms of the person not being dependent; in addition to that, we had for a number of years, accepted that monies were being sent, such as a remittance order. Now we find that sometimes the money did not go to the dependent, or for support of that dependent, and it was going for some other reason, for investments in the other country, or something similar. We are saying that they are asking for further verification, and it is in terms of administration of the Act, because there have been certain abuses. All I can answer to you in terms of some of the Chinese community



in what may be occurring in China, and if we find that that is the case, we really would have to deal with it in most cases, on an individual basis; but I do say that we are questioning those types of dependents to a greater extent than we did in the past.

Q. Right now we are considering getting a list of all the people in this area and Toronto, and approaching you for assistance.

A. Well, we would be prepared, if for instance, you are talking about the Chinese community and the Republic of China or whatever system they may have, I would think you should. Are you concerned particularly about what may be happening here with the Hamilton taxpayers, or the Toronto ones?

Q. I belong to both, so I am aware that ...

A. You are aware that this is occurring in both areas? (Yes). I see. I am the Director of Taxation here in Hamilton, and if you think that we are extending beyond what would normally be acceptable for verification, then bring it to my attention. That's what I am here for, and if it is necessary, I can then take it up with the Toronto district office, or our own head office. I do know what is happening, but you are saying that we are going too far in terms of asking for verification.

Q. I am not saying that you people are going too far. It is the difficulty of complying with the requests.

A. Maybe if you brought it to my attention, we will talk about it.

Q. On the question of audit - it's referred to Ottawa, for an interpretation, and it seems to be unduly long in getting a response back. I think it is out of your hands, but is there anything that can be done to expedite the answer from Ottawa? The machinery up there just seems to grind exceedingly slow from our point of view.

A. When you say in terms of audit, you are meaning in terms of a specific



saction that you would like interpretation on, is this what you are referring to?

Yes, an audit, as to whether to assess or not to assess, and your case has gone to Ottawa for an opinion. That process seems to take six months.

I see. Well, I think I probably recognize the situation. Is it a specific situation that maybe we have dealt with very recently?

No, this has been going on for three years.

Well, I am not really aware of the specifics on this particular and if you would like to call me, I'll take a look at it. Usually, cases go for an opinion to our head office, because the taxpayer certainly does not agree with our auditor's opinion. They are busy, they are working on improving the service, because they are quite willing to admit that it has not been as prompt as it has been, and we have recently made a change in how we handle international problems, which should speed up the process. Six months is a long time to wait for an opinion on a specific technical matter, and if you want to give me a call in the office, I'll be only too happy to look into it and get on the phone, and if you think we are not on you, you should hear us talk to the head office people. I don't think you should have to wait six months for somebody up there.

Just to give you people time, - we came to you on a specific item and got it turned around, in about, I think, a month, which was terrific. Another issue just seems to be going on ....

I made a comment earlier, and I think it should be underlined at this

We do have our processing systems in Ottawa, and in Sudbury, and we have talked about a face to face relationship here and I'd like to underline that if you are having some problems in terms of the other areas



of our operation, then it is our function to service you, the Hamilton area taxpayers. We would, if it is a delay, and it is a legitimate delay of six months, then we should know about it and we should be relating and communicating with you, either giving you a reason why that delay is occurring, or speeding it up.

Incidentally, I say, call me. If anybody here has a question but doesn't want to ask it here, call. I have a supply of business cards here, and I'll be happy to give you one. We are quite willing to do anything we can for you.

Q. A small company that I am involved with has a problem with its last carryback. We dutifully filed our last carryback on March 5, and now that three and a half months have gone by, and we need the money, I called the local office to try and follow it up, and was informed that these carrybacks are processed in Ottawa, and the person I spoke to wasn't even able to suggest any way that we could be advised of the progress that was being made. It's all well and good to expand the Act recently, or at least propose expanding the Act recently, to give small business the benefit of being able to use the carrybacks, but when the time to actually get the money back is so long and we can't even follow up how it's coming along, it causes a problem.

A. Let me just review the situation. You filed last March, 1983, in which you are carrying a loss back into the prior year. (Right). Now, just to explain to you, a loss carried back, you would probably file an amended return, but that would be an adjustment, or a reassessment to the original, and if you filed at that particular point in time, and there is a delay, and I am not suggesting that there isn't a delay, when you are talking about March, you are now talking in terms of our computer operation and



1982 returns, there can be some delays in our processing further  
 ys than we would like, and like to have, because of the situation,  
 here can be that situation. Is this a corporation, a T2? (Right).  
 , if it is a corporation, that's another program, and it should  
 have that. Now, here again, we have some of these problems, and  
 ing this out again, if you have a loss carried back in which you  
 and to carry on your business, you need a refund, let us know about

The average person would naturally phone, and expect to be  
 ed.

Again I would underline, if you are not getting results,  
 icularly if it's a hardship situation where you are operating a  
 and you need the money which you had paid in tax from a prior year,  
 nderstand that, let us know of these exceptional circumstances, and  
 ill see if we can assist.

Who would he call? Would he call Dave, the head of the  
 iries if he didn't get an answer from the person who answered.

If you don't get the answer that you would like, Mr. Walsh  
 is the chief of our inquiries area, and if they are not looking at  
 n terms of understanding the situation, and that's possible, they  
 be telling you that at this time of the year, there are delays, we  
 answering services and so on, because of the influx of a lot of  
 s, and a lot of the volume of during the filing season, you might  
 that routine answer. No question, you are going to get that routine  
 er, but if your situation is not routine, Mr. Walsh is your man to  
 act, and all I can say, if Mr. Walsh is not giving you the satisfaction  
 think, then I'm the Director, and let me know about it. We have in



our taxpayers' service, a public relations officer, and some of these situations there may be special processing problems, and we may just have to get on the telephone, or with the people, and see what the problem may be. It's a matter of providing you with service, and I am looking at your problem in terms of a loss, you need the money, it's to everybody's benefit to keep the economy rolling, and we do that.

Are you saying, Ron, that this gentleman should have had his situation resolved by now, if he filed in March?

Well, what would you say about the processing, Dave, in terms of time?

You received an assessment notice for the return, for the loss return that was received? (Right) You have that assessment notice. When did you get that? (About three weeks ago) Okay, until such time as that return is assessed, they are unable to go back and look at the carryback. But if you have not received an assessment notice showing that the carryback has gone through within a month of that time, another week, then you should be in touch with us. But, it does take six, seven weeks normally, for that initial return to be assessed. Subsequent to that, they will go back, and then they will go into the loss carryback.

Q. This is for my information. How long does it take the Hamilton office to retrieve a file from Sudbury, a week, ?

A. Generally speaking, three to four days, has been our experience. There are occasions when the return has been charged out to someone else, and it has to be run down.

I am going to move on, you may have other questions for



or others on the Income Tax side as we go along, but just so we are sure that we get proper attention to the other areas, I am going to go on and ask John Shearer, the Regional Collector of Customs in Hamilton to say a few words, and you will recall that he is concerned with the customs of the Department of National Revenue, and we are going to then hear from Murray Gies, who is concerned with the Excise and Federal Sales Tax.

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Thank you very much. I'd like to start off by maybe asking a question. How many importers do we have in the room? Could we show our hands? A couple. How many exporters? Both fields.

I think I recall a remark from the left here, that income tax has been around since 1917, or some such date. We were here first. We have been here since the British and the French landed, I think, and with that fact, I think we are one of the best kept secrets in Canada. I don't think too many people in the public or in the business community really understand what we do, or what services we can offer you. In that vein, I hope this morning, I can leave just some impression of that with you, and leave the message that if you think there are some opportunities for you in coming and talking to us, then you will means come and see us. We are located in the Post Office on John Street South; I have three gentlemen to my right here who will be introduced a little later, who are specialists in some of the areas that might be of interest to you, but first of all, if you will allow me, I'll take about five minutes and run over some of the things we might be able to assist you in. First of all, I have to split my discussion into two principal areas, one dealing with the Revenue type of operation



that we are involved in, and the other dealing with another role, which I think is even larger than the revenue role today, which is a role of protecting Canadian industry and the public, both in the sense of protecting the economy of the country, and protecting the public from importation of hazardous products in seed, plants, and animals, and the like. We operate under some 90 different statutes, I think we wear more hats than any other department in government. But first on the revenue side, I think it is a very interesting fact that in customs and excise, if I can speak of both quarters of the hat, we collected something like \$23 billion last year. I believe in the income tax area, there was somewhere around the order of \$20 billion, collected from business. So those figures alone suggest right away to me that we are into your pocket books in as big a way as income tax is. I think that's a fact that many people, maybe they realize it, but don't really think of it too often. Commodity taxes are becoming very significant part of business. When you look at the expertise that exists out in the private sector to deal with commodity taxes, I have to say that it's relatively non-existent. You look at people that go through the university system or go through R.I.A. programs, or C.G.A. programs, they get lots of training in the areas of income tax law, and how to set up books, and so on, to get ready to deal with the tax man, but on commodity tax, what do people really learn about the ins and outs of commodity taxes? I don't think there is very much. We do have a Customs Brokerage community, and it's a fairly small family. Those people are certainly there to assist you, and I imagine that most of those who are importing or exporting do take advantage of the brokerage community. Another interesting fact, of that \$23 billion, dealing with imports alone, 75% of the imports come in duty free. There's a great number of duty free tariff items, and



ouldn't be a bit surprised that a awful lot of companies are perhaps  
ing duty when they don't have to. We don't know; we have as well  
income tax, a self-assessment system. We depend on a declaration from  
importer as to the nature of the goods being brought in, and the use  
which they are going to be put, and so on, but if we don't know to what  
you are going to put those goods, we might not be aware that you might  
entitled to the benefit of the duty free tariff item. Besides the  
iff itself, we have a great number of programs that allow goods to be  
ered under a remission order, which may exempt the goods from the  
y and taxes, or they may defer payment of duty and taxes; a relatively  
system that has come into being in the last few years, I believe it  
e out in 1979, is one called the inward processing remission order  
ch allows companies that are importing goods for further manufacturing  
re-export to bring those goods in duty free and simply account for  
goods that are diverted into the Canadian economy that aren't  
exported. We have a fairly extensive drawbacks program which allows  
panies to claim a duty drawback on goods that are exported if they  
not under the inward processing remission order; it also allows  
uty drawback even on some limited range of goods that are destined  
the Canadian market, if they are coming in for further manufacturing  
qualify under one of the items. We have remission orders dealing  
n obsolete or surplus goods, if you have goods in your inventory  
t you just can't move, they become obsolete, or they are surplus  
your requirements, you have duties and taxes tied up in them, if you  
lify, you may be able to recoup the duty and taxes by getting rid  
the goods under custom supervision. We have a huge network of  
oms bonded warehouses. Companies can apply for and qualify for  
ustoms bonded warehouse privileges, which allow you to bring in goods,



place them in a bonded warehouse, and defer payment of duty and taxes on those goods until such time as they are sold or consumed. There is a two year limitation on the length of time the goods can stay in the warehouse, but nevertheless, savings can be fairly significant. As well as bonded warehouses, there are sufferance warehouses, which are a little different, they are there for primarily our purposes, but as well there is a saving there of sort, in the sense the goods can stay there for a limited period of time. There are temporary tariff items and tariffs that allow special privileges to certain industries that have applied for them and are using them. We have a machinery remission program, under which businesses can apply and bring in production machinery, and machinery for resale, and practically any kind of machinery which is of a class or kind not made in Canada. That program is run concurrently with Industry, Trade and Commerce and under the program, you can obtain a remission of the duties payable on qualifying machines. There are a great number of other remission programs too numerous to mention. Other areas where we might be able to assist you is in streamlining procedures for clearance of goods at customs, assistance in approaching other agencies, where perhaps you feel you have a special case for remission - maybe you are not as competitive as you would like to be, but if you could get a special tariff item put in for your purposes, we can assist you in getting to the Department of Finance, and perhaps gaining consideration for a special tariff item, if it's in the public interest to give that type of privilege.

That's just very briefly some of the many, many programs that we can offer to importers. If you are not an importer, you are not an exporter, really, if you are dealing solely here in Canada, we are here as well to protect you; and you are the people we sometimes forget that we



working for. Perhaps you are suffering from unfair foreign competition. Perhaps some foreign country is dumping goods in Canada; we have a dumping program where you can file a complaint; it goes through a process - dumping duties, if your complaint is indeed valid, duty can be imposed on those goods from those companies or countries to give you the relief you need to survive in Canada. The same could be said about tariff reductions; if you feel you need a level of tariff protection, we can steer you towards finance again, and get a tariff item put on that will give a level of protection to your particular industry. I'm trying to keep my remarks as brief as possible, because time isn't all that long, but on the revenue side, when we think of the number of dollars involved, I think that a dollar saved up front is every bit as good to the businessman as a dollar granted, and there are a great many things that we can do for you if you just come in and see us, and let us know of your problems. If you are in the importing, exporting business, or even if you are not, but if you are being hurt by imports, by all means come and talk to us.

I should at this point introduce the fellows on my right. I would like them to come along today. Les Cole, who is the manager of our operational services in the region. He's the fellow to see if you have problems relating to the clearance of goods, or problems of a general nature with customs, or if you want to inquire about the benefits of a bonded warehouse, or getting into a bonded type operation. We have Jim MacIsaac to his right, who is our manager of drawbacks, refunds, and remissions. He is the fellow who gives the money back, very important to some of you, and John DeKeithly, who is our manager of tariff programs and appraisal. His unit decides what tariff treatment goods should receive, whether or not you are entitled to a refund because a mistake has



been made on tariff classification, also decides on valuation of goods coming into Canada, and so on. So maybe with that, and those brief remarks, I could just open the floor to any questions that you might have.

Q. I have a couple. I don't know whether you can help me. We've had some ongoing problems. One of them has had to do with trying to get K32 from a supplier. We buy a lot of stuff in container loads, and it's quoted to us duty paid, F.O.B. our warehouse, and maybe we may have made a big mistake and got stuck with a whole lot of material that we could use in one of our U.S. facilities, so we send it down there; we can't get our duty back, because the person that sold it to us will not give us a K32 A. Is there any way that there is any pressure that you can put on them to give it to us, or is it purely voluntary?

A. I am sorry. There is really nothing that we can do to put pressure on them. It's strictly a voluntary thing. The K32 A is a certificate of importation, sale, or transfer. They are the people who originally have paid the duty on the goods, and until they sign that waiver, we have no way of forcing them to do it. We have this problem, and what we suggest is that if you get in touch with them and say we are not going to buy anything more from you, or try to use that kind of leverage, but we cannot go into a company and order them to give their money to you.

Q. The other problem that we have had is that on importing a very specialized type of wire, there is a tariff item that covers this; it's over 60% nickel, and there is a tariff item that covers this particular product, in every form but wire; it goes on rod, strip, shapes, everything but round wire. I've actually gone to a lot of trouble trying to find out if there was some way we could get this item changed. To my knowledge,



There is no one in Canada that makes this product in this form. It's a very pricey item; it's something that is used quite often for things such as atomic energy; the quantity is not great, but the price, we are talking about \$25 a pound for a piece of wire. We, as a middle man, know we are going to have to pay duty on it, so we include it in our price, but the user is the one that is getting, well, shafted, or whatever, you want to call, because I don't feel that it's my position to try to spend a lot of money to try to get this thing fixed. I am not selling it consistently to the same person all the time, so there is no way I can even work together with one of my customers to try to defray the price of trying to get this thing changed. Is there any easy way of trying to find out if there is a mistake or if this is an oversight in this tariff item or if there is really any reason why they have eliminated the word wire out of that?

Have you talked to anybody yet in our office about this?

I haven't done anything about it recently. About four years ago, I go quite extensively, I think I talked to everybody from Hamilton to Ottawa and a lot of the people that I talked to seemed to feel that this was an oversight most likely, but in order to follow it up would take a lot of time, effort, expense, because of having to prove that it was not made in Canada.

The problem we have is that we don't make the laws. We simply administer them, and the people we would have to deal with there, are the people in the Department of Finance, but if you have a case, we can certainly assist you as much as possible in getting to the right people in the Department of Finance to make representations to attempt to get that particular commodity under that tariff item, or under some other tariff item, or some sort of program that might relieve you of the hardship you are feeling.



Q. Now, I would start with the Hamilton office, even though we don't clear in Hamilton. We usually clear and bond in Oakville, but it would be, if I were to come to you, or someone in your office to pursue this and there might be some hope.

A. Sure. I could give you my card after.

One thing we do suggest to people, is that if they put a tariff in there, and there is any duty accruing, that the supplier will give them K32 A's, or not sell them duty included in their price.

Q. We only have one, we deal with so many different companies, we only have one, and they happen to be one of our major suppliers from England, and the rest of them, there is just no problem, if we want one, we get it. We have one that charges us for it, but at least we can get. It's just the one company, and unfortunately, we do so much business with them, there's no way we are going to say if you don't give it to us ..... Mine is a Canadian company.

A. The company in England, is it a Canadian company you are dealing with?

Q. No, it's an American sales office.

A. Who is the importer of record on the goods? Are you the importer?

Q. No, we are not, It's all quoted to us prepaid, duty paid, that will be Burlington.

A. But who do you buy from in Canada?

Q. We don't. We order it through a sales office in New Jersey.

A. But somebody has to clear the goods.

Q. Yes, but I am not aware of who does it, because I am not concerned with it. I never see any of the Customs papers or things like that.

A. I would like to talk to you after on this, because I am wondering if there is some confusion here about the K32 A bit, because you must know



your supplier is.

I do, and I know where the stuff comes from, and I know where we put orders in.

But if there is no Canadian supplier, you don't need a K32 A. It's when there is a sale in Canada.

Well, it is sold to me in Canada.

Who sells it to you?

The invoices come from New Jersey.

Would you like to talk to me after? It looks as if you might be able to clear this up.

Perhaps we could move on to, thank you very much John, and your colleagues from Customs. Could we move on to Murray Gies of Excise Division of Revenue Canada, and I guess he is going to tell us about excise sales tax.

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Thank you very much. Good morning. I'm going to be very brief. We are the smallest of the three represented here in terms of sales, but possible not in terms of dollars collected. Our tax mainly applies to manufacturers and any of you who buy directly from manufacturers will see something on the bottom of your invoice saying Federal Sales Tax, and that's us.

Generally, we provide service in three areas. One is tax interpretations, the second is in audit, and the third is in collection. The general thrust which we have is one of self compliance by the manufacturers. People who remit federal sales tax to us hold a licence to remit it to us on a monthly basis. We generally audit approximately two percent of the licencees in Canada, and approximately 50 percent of those



result in a tax change, either assessment or credit. In the area of audit particularly, we have two or three sections actually. One is sales tax audit; the other is refund audit which means that anybody who has paid taxes, and used them in exempt conditions can apply for a refund, and we audit those particular claims and pay the money back; the third area is in the area of gasoline tax. The 1.5¢ per litre that you pay when you drive up to the pump and put gas in the car, generally if your vehicles are used in an area where they are for business use, this tax is refundable. We process something like about 500,000 claims a year in that particular area. We have several publications which you can get. The major one is something which is called The Excise News and you can have one for the asking. All you have to do is write our technical support unit in Ottawa at 191 Laurier Avenue and they will put you on a mailing list and you will get one of these whenever they are published. Generally it helps you to better understand the application of our Act to your particular business. That's basically what we do.

Anyone confused about the difference between excise tax and sales tax?

An excise tax generally is a specific tax on specific goods; for example, there is 1.5¢ per litre on a litre of gasoline. If your car has an air conditioner in it, there is \$100 worth of excise tax which you paid on the air conditioner. Jewelry, cigarettes, alcohol, there is a specific amount of tax which is levied on each of these items, and excise tax is generally a luxury tax and federal tax is a manufacturing tax.

Q. Just a general question. This refers back to the incentives raised earlier. Are there any incentives for small business in the Hamilton area as compared to other parts of Ontario, anything like special



vestment credits, or any other trade advantages, free trade zones, anything?

I am not sure whether John is prepared to talk about the free trade

If he is new to Hamilton perhaps he is not aware that this has been a subject under discussion here for several months at the instigation, I think, mainly of John Morand, the regional director of economic development. He has not received any great encouragement either from the business community or from government, I think. There is one free trade zone now in Canada, in Winnipeg, is that correct?

Actually there are no free trade zones per se. We are not the proponents of free trade zones in Canada Customs. We feel that the existing programs that we have give more benefits than what free trade zones purport to give. For example, the inward processing remission order, if we compare ourselves to the United States, United States has quite a number of free trade zones, but it is because they don't have the kinds of systems that we have that are available throughout the country. In Canada, we have something like 450 firms right now operating under the inward processing remission order which has only been in place since 1979. Some \$115 million in import taxes were remitted in 1982-83. When we compare that to the U.S. experience, which is of course, a much larger country, they have a total of 1,800 people only in free trade zones throughout the United States, so 450 compared to 18, I think under the inward processing remission order alone, we look pretty good. There are a number of drawbacks to free trade zones. I think people think of free trade zones as something that is going to relieve them of a lot of burden, in terms of administrative control on imports, and the like. Actually, that isn't true. If a free trade zone were ever set up in Canada,



it would have to be controlled by Customs. Companies operated in those zones would have to be audited by Customs; we would have to have assurances that the goods that were going into those zones were in fact, being properly exported from those zones; we essentially almost have to set up a Customs office at the gate outside of the free trade zone. So we feel that the program that we have in place, the bonded warehouses, the inward processing remission order, etc, give more than what we could ever see coming out of the free trade zone. Now, Sydney, Nova Scotia has been getting a bit of press lately, as having established the first free trade zone in Canada. It's not a free trade zone, it is simply an area that has been set aside in Sydney, I believe the Department of Regional Economic Expansion, or the former Department of Regional Economic Expansion was getting this idea going; and what it is it's a management zone where the manager of that zone has brought together a number of experts that assist companies locating in that zone, in taking advantage of all the programs that we do have, but it is being called a free trade zone.

Q. Are there any new tax divisions that are unique to Hamilton, like credits?

A. No. the provisions of the Act are national; and they may have more significance in terms of the type of area we are in, an industrial area, and so, but they are national applications, and nothing specific.

The tax laws are consistent across the country.

The difference has been in grants and loan programs, I guess, rather than in tax programs. If you were in the Industry, Trade, and Commerce panel yesterday, you might have heard, that the trend is to concentrate on what has been a great many programs and a smaller number of programs but still have a difference of treatment for different areas, depending on their economic circumstances. It's going to be apparently somewhat simplified



the previous programs, but I think there will still be different  
ment depending on economic circumstances.

It's a bit of a technical question that I have, but I had a hard  
getting an answer from federal sales tax and customs so far. This same  
hungry business has imported a product, at two-thirds of the cost  
which is freight. At the time of importation, our supplier completed  
customs entry forms, including the freight and the sales price, and  
was last year, as a matter of fact, so it's not a dutiable product,  
of course, it's valuated at duty paid value for federal sales tax  
uses, and it is subject to federal sales tax, so we paid federal  
tax on two-thirds of the total cost where we really shouldn't have,  
I'm wondering, our customs brokers have advised us that there is a  
gray period for having the value changed for customs purposes. I'm  
wondering if there is not anything that can be done to get the federal  
tax adjusted.

I think you will probably have to start with Customs, because we set  
the value, if it's imported. There is a 90 day provision for appealing,  
there are also provisions depending on the circumstances where you  
can appeal an obvious error within two years. Has this happened within  
the last two years?

Yes. But I am wondering, but what I understand, we don't fall into  
an obvious error, unless the person who explained it to me is, he said  
it should be like an extension error or something like that.

It depends on the specific circumstances involved in your case. Certain  
kinds of freight are dutiable. Most freight is not dutiable. If it was  
shipped between the point of direct shipment in the States, or Europe,  
wherever it came from to Canada, that kind of freight isn't, but if



there was freight involved from say, New York to Chicago, and they bought the goods in Chicago, then the freight from New York to Chicago is dutiable. There's all those kinds of factors that play in. There are also factors of was this freight clearly detailed on the invoice that was presented to Customs; if not, then you may have a case that you can discuss with us, and I'd suggest that you perhaps gather the documents together that you have on the particular instance, and bring them in and discuss them with John, and he can advise you as to whether or not there is anything we can do to assist you on that. Perhaps you could see John later.

Maybe Murray can bring us up to date on what the situation is with respect to the change of application of federal sales tax that had been proposed some time ago. Is that now on the back burner, semipermanently?

A. Basically, yes, there was a committee formed to look at the proposed change in legislation to move the tax from the manufacturer's level to the wholesale level. The committee, report was submitted at the end of May. It hasn't received much press, but we understand that it has, there are several proposals put forward in it, one of which is to leave it alone and let it be exactly as it is now; so as a result of that, we in our department, have been doing a number of surveys across the country for people who are engaged in the wholesaling, manufacturing, and retailing to try to determine values for tax, had the wholesale tax legislation gone through. At this point in time, we have ceased doing those, and as far as we know, it's on the back burner, and may never surface again.

Q. I have one for income tax. When are we going to get our rebates?

A. I wondered how long before someone mentioned it.

A. I have heard a lot of nasty rumours about that it will be up to September, and I have heard some others about post-dated cheques, etc.



heard the same rumours about post-dated cheques, and as a matter of fact, we had those rumours right in this region. We tried to run them just to see what the situation was, because in speaking to our regional people in head office, they were unaware of it; those rumours were spread up in a half dozen jurisdictions. The only post-dated cheques we have seen so far, have been two days post-dated. I can tell you my wife and I. What happened was, we run tapes off after we do an assessing run, we cut off a tape and send it to DSS; they actually cut the cheques; and what we do is we try to give them lead time, so that the cheques are out on the day that they are dated; in fact, what happened, is I guess they worked ahead of me, or got ahead of themselves, and the cheques of June 5, I think were sent out on June 3, or were received on June, so they were a couple of days early and about the only thing that happened there, is that the people that cashed those cheques had the benefit of a couple days' interest to which they were not entitled. With respect to when you are going to get your cheques, we said in our recordings or maybe any of the messages you have heard by calling our office that it would take ten weeks; for most of the cheques that have been filed, there are some exceptions, but most of the people who have filed prior to April 1, have received their cheques. There are a few exceptions. One is sitting on this side, one on that side, but we are running about a million returns per quota, which gives us about 900,000 refunds and we have a quota in right now which, by next Monday, should have us up to about eight million refunds out. We generate about 11 million refunds a year. We are starting to pick up now.

Now, I will say this, there are situations where something abnormal happens - an arithmetic mistake, where you have neglected to put some receipt or something like that and it could delay it by three or four weeks, but



if your return has been filed properly, and everything is clean in it, I don't think it will be September.

What we are saying, is that within ten weeks of receipt in our data center, and if they were filed on time, they should all be cleaned up very soon.

I think it should be said in fairness to these gentlemen, that it has very little to do, if anything, to do with their efficiency or the efficiency of the Department of National Revenue; it was that Parliament didn't get the budget bills passed when they would normally have been passed, so that they had to delay the processing, am I correct?

A. Yes, the processing was delayed until the bill was passed and we could not do it, and that did delay it. Now, that delay in itself creates some problems, because you do have the returns filed and it's like pushing, and we are making every effort to put out more returns in what we refer to as a quota, which is, and there are approximately a million returns in a quota; now that is a lot of material. That does create some problems, but this is the type of problem. It dates back as Mr. Stanbury says, to the delay in passing the legislation that was required.

Q. I have a general question for the gentlemen, that we are all interested in. What we have heard of the paper burden office, the cutting down of the burden of paper on citizens and business, and reducing the red tape in government, I am interested to know what each of the parts of the Department of National Revenue are doing to reduce the red tape for businesses, and individuals, for that matter. I know a little bit about some of the things that have been done, but maybe you can give us a bit of a progress report, because I don't think you can ever finish that job.



Well, from the Customs point of view, I guess we are probably one of the most guilty parties in government, for lots of paper. There are a number of initiatives under way. They are still in the infant stages. One of them is a new commercial release system we are experimenting with; whereby, perhaps somewhere in the not too distant future, we will be allowing companies that apply for, and qualify for, such status, a privilege of importing their goods and simply accounting for them on a monthly basis, rather than on a per entry basis. They would however, still have to be subject to audit, post certain securities to operate in that manner, but theoretically, the company like, say, Stelco, or a large company that imports quite a bit, could be coming in and passing one invoice a month, instead of one on every truck that comes across the border, or every ship that comes in the harbour. That's one major step in our efforts to reducing paper burden on importers. The other area, you may be aware that Canada, through recent negotiations at the GAT, has committed itself to adopting the international code valuation the GAT code of valuation for goods. Under that system, we are looking at the possibility of dispensing with the requirement for Canada Customs Invoice, and relying on the commercial importers' invoice or other information that the importer has at his disposal for clearance of goods at Customs, as opposed to having to obtain an invoice from the foreign exporter for each and every shipment. These are two major areas we are working on. There are other very minor areas that we are constantly looking at in terms of trying to reduce the burden, and as The Honorable Mr. Stanbury said, you are never finished.

How about you, Murray?

Basically, we have two programs, one is the filing of the monthly



return. Every manufacturer is required to file a return on a monthly basis; however, if their total tax payable in a year is less than \$250, they are allowed to file on a quarterly basis; if they have no tax payable, they are allowed to file semi-annually; and if they are in a seasonal business, they can file for this period that they are in business. Unfortunately, on the other side of the coin, we have instituted an annual return, which every manufacturer, every person licensed under our Act must file. We have a lot of flack on that, but that is the legislation, so that is a requirement. Basically, those are the only programs that we have in this point of time. We are looking for other ways, and I know that we will listen to anyone who has got any ideas as to how we can do it.

John: Well I think probably the taxation department does place considerable burden on business. I think the burdens that we do place on business, and employers particularly, relates to our need for a cash flow, or the government's need for a cash flow, and of course, that requires records to be kept for payroll deductions, it has records in terms of installment payments, those people who are individuals, and of course, who then have to prepare information returns on T4's. Now, some of the recent developments, when there is a remittance procedure, where there is a turn-around voucher to make it easier for computer input forms, it makes it easier for you to fill out and send back in terms of this type of thing. There's the development within the computerized field and this applies mostly to larger corporations where they have their large payrolls, T4's, they have those on computer tapes, there's an exchange of that information with the department which assists those larger companies to comply with providing the information to us, and this is the type of thing that we, but within the department,



course, and I think this is another area, that with government expenditures, that we are always looking in ways and means of making ourselves more efficient and effective, and bringing it to our attention, we have the development of computerized systems; and we are setting a pilot project right here within the Hamilton office in terms of electronic mail which would cut down on some of the expenditures, where we have computerized lines for this type of information. Now, this is especially where we still require the tax returns, and I think many people, because of the complexity of the Income Tax Act, this comes back to the Internal Finance Department, the government, and it makes the actual filing of an annual return, in some cases, a more difficult situation than it was and I can think only of T2 corporations, a T2 corporation return which had to be prepared was fairly simple 15 years ago, to file, but now the T2 corporations return admittedly is more complicated, but it comes back to the information that is required in terms of the question that was asked in terms of tax incentives, and that is built into some of the information we have; so those are, becoming more efficient and I maybe failed to mention in my opening comments about us collecting \$50 billions in income operating expense in the Department of Taxation runs about \$400 million, which is costing us about a dollar for every \$100 collected in terms and we are working continually on that type of efficiency.

I missed a couple of things, if I could interject them, a program has been in for some time which some of you may be taking advantage of, and some of you may not, in the export area. We have a program of monthly reporting of exports as opposed to reporting on an individual basis: if anybody wants information on that, they can obtain it here today. Another program that is just starting out, and is being looked at, is submitting blanket



refund claims as opposed to submitting a refund claim on each individual entry.

Any other questions? Do you know where these people are located if you want to find them? They are in the Federal Building, 150 Main Street West, and the Post Office Building. Both Customs and Excise are in the Post Office Building.

Q. I have two questions for Mr. Giles. The first one concerns a non resident tax, withholding tax. The way it is set up right now, if you are making a payment to a non resident for interest, you have to withhold 15 percent of the monies and send to Revenue Canada. Now, this has to be done monthly, regardless of the size of the amount being sent, and if you have a small mortgage, say, for example \$5,000, the amount that was remitted could be a dollar, or two dollars every month. It seems to me that it's very expensive, very time consuming to have to send two dollars to the department every month. Is there any way we could organize it that payment is made, say every quarter, or six months?

A. That type of thing is covered under the Act, actually by regulation, that it has to come in the fifteenth of the month following, so we have to enforce that. It would take a change in the regulations to bring that about, but one of the things I might suggest, if you are talking about what you consider to be an inconsequential amount like, you may want to prepay it on a quarterly basis.

Q. That is a good idea, but why can't the government take quarterly business. It seems to be that we are trying to make life simpler, but instead you are making it more difficult on the person who has to come up the money first.

A. About all I can say to you, is that we're dealing with a regulation that we have to follow. Obviously, there are certain limits that we stay with.



not going to counsel anybody that they shouldn't remit but I would  
t to you that we would not be considering prosecution for \$4.10.  
e other question is a little more of a problem and it's this new  
T2219. Now, we have a break, or supposedly had a break on that this  
in that we didn't have to file it; however, my understanding is that  
to be filed next year, and looking at the form, what it says, is  
ou have to detail all the loans you have had in the year, and if  
orrowed money which has been ruled over. Let us say, for example,  
ommodity is market, and your margin, and you have a number of loans  
the year, this has to be detailed. Now, if that is correct, it  
to me that a person who is in the market, would give you a book at  
d of the year to substantiate his transactions. Now, am I correct  
s, and is the department doing anything to make it a little easier?  
is my understanding that it is now under consideration as to what  
r would be required according to regulation. Ken, do you have any  
r information on this?

Well, the reason T2219 was not required, was because it was  
blems it was. As a matter of fact, I think that our people to be  
bout it, haven't done the nicest job in the world of putting that  
er. Until they solve that problem, I don't think you will be required  
e it. What they have to do is to come up with something that not  
e can work with, but that you can complete with some ease, and that's  
lly our situation. It's just being reviewed, and incedentally, it's  
inistrative problem that we in the field recognize, and one of the  
s why it was deferred is, I think it was one of those great ideas  
ouldn't work.



Q. I have a question on forms. This income tax form usually, they start with T22 or 19, or something like that. Has the department given any consideration perhaps to parallel the form number to the section number of the Act? What is the difficulty?

Well, you know, usually you have one form for one section, or if you have more than one form, you can put dash one, or instead of something like 22, 22039, or 2037. That doesn't mean anything really.

A. I can only say I will take that suggestion into consideration and we may bring that to the attention of our forms people. You are quite right. We were talking here about a T2219; one has to be geared in on that and some people who are using it do not understand what it is.

Q. You can still use a four-digit number, T section 1, No. 0001, or something like that. Maybe that is something for consideration.

A. This is one more advantage for meeting with you people. This is something, when I said it was, we liked to get together with the business community, and there is an exchange of information, and I can say yes, there is a cumbersome group of forms when the Hon. Mr. Stanbury talked about making it easier for you, I had some concerns about just that, because we know we have a great deal of forms that must be prepared, not for every taxpayer, mind you, but a great deal of forms that must be prepared to cover the various variation of taxpayers.

That kind of suggestion could be fed into the forms review process; and it might be reassuring for people to know that there is such a process, and people are constantly analyzing whether or not forms are as simple as they could be, and whether they get all the information that is required in the most understandable way. Forms may seem complicated now, but if you can believe it, they used to be even more complicated rather



less, and there is a lot of work done constantly on that and we need suggestions from the users of the forms. I mean, the people have to fill them out, and often find, that whatever form you have fill out, you are sure that the person who designed it has never had fill out that form themselves. That is one of the most frustrating things, I find, that forms are impossible.

The gentleman, on the excise, mentioned the new annual return that come out this year for the ET1. I wonder if you could refresh my memory on what the reason was for bringing out that new report, and what different data is on there that is not on the monthly report.

Basically, I believe that some of the information that is on that is total gross sales where on the information form you file monthly simply indicates taxable sales. One of the uses that is anticipated for the information that is being gathered, is we talk about something like a tax gap, and what they are trying to do in actual fact, is measure that gap as to how much manufacturing is going on versus how much are we actually getting under taxable conditions. Secondly, it helps with the self-assessing role of the individual; when they go through the process they suddenly realize they haven't reported something, and we have some self compliance on that area as well, but that is generally the reason for it.

Is it accurate to say that in customs and in excise, that there are fewer forms to fill out now, than ever? I think it is true.

I believe it is in excise, anyway.

Yes, certainly in customs, it used to be, as those of you who are 21 would remember, you used to have, every time an individual came into



the country, you would have to fill out something, and now you rarely fill out anything when you are returning from abroad, or outside the country, unless you have very substantial purchases. I think there is an effort being made to manage by exception, I guess, to have forms when you need them, and not when you don't. Dave Walsh didn't have a chance to say very much, we sort of cut him off at the pass. Would you like to say anything about your inquiries facility?

A. Yes, particularly at this time of year, we have a staff of about 30 people who are working on telephones, and another half dozen on the counter, so that any question you may have with respect to an assessment notice that you have, and you disagree with, an inquiry as to when your refund might come along, or prior to the filing period of April 30, particularly February, March, April, we are fully geared up so that if you do have any questions about filing your returns, we have staff there that can help you. We are not prepared to fill out your return, but certainly we are prepared to answer any question we can that will assist you in filling it out, if for no other reason, we are certainly there to assist the taxpayer, but everything we do to help you, helps us too, because it avoids problems down the line. So the only thing I can suggest is that you, if you do have any problems, or if people you know have any problems, by all means counsel them to call us, because we are there, and we are perfectly willing to give every bit of assistance that we can.

Q. I have a question in that general area, Dave. I guess the IRS in the United States had an experimental program where they had computer processing of returns in certain taxation offices where individuals could come in and, provided that they were not very complicated returns, or certain class of returns, they could sit down with an officer opposite them, with a computer



inal, and they could give him their information, and the return  
 d be done immediately, and it would be just recorded and I am not  
 whether it was a success, everything at once, if it was extremely  
 le. Are you familiar with that experiment, are they still doing it,  
 they extending it in the United States, are there any prospects of  
 form of simplification of the process for the average citizen, it  
 t not help businesses much because it would be more complicated, but  
 all the information technology that is coming, we will always as  
 viduals with relatively simple returns have to go through all the  
 r work that is, that we go through, or is there a prospect that one  
 it will be done more electronically, and more simply?

First of all, in the last couple of years, we have gone back to what  
 call the T1 Special return for the people who don't have anything  
 ward. They may have a T5, they have a T4 return, the T4 slip, and  
 is about it, so we have simplified the return to that extent. The  
 r thing is that for a number of years now, we have had what we call  
 profile system, and we have certain categories of taxpayers and  
 rns pegged as being very simplistic, that do not require any type of  
 king. Those are already diverted, so that they go through without  
 human intervention, and they will go through faster than the one  
 is so thick and filled with all kinds of forms and things that may  
 ire audit. The other thing we are doing, is, as anybody who has  
 in our office is probably aware, we do have a type of computer  
 inal in our office now, but it has only basic intelligence in that  
 s not a direct data entry type of thing where we can go into the  
 uter and change things. What we can do today, is that we can extract  
 ormation, we can tell you, for instance, that you owe X number of



dollars, and calculate the interest; we can have a statement of accounts sent out to you by requesting; we can tell whether your return has been assessed, this type of thing. We are now in the process of, I think it is a three year period, where we are adding to and upgrading the equipment in our offices, so that we are looking at onlying keying, say, of adjustments and now, I suspect that we are three to five years before we really get into that. Down the line from that, undoubtedly, is going to come further movement to look at these things, but right now, we are talking about adjustments; so that the taxpayer who comes into the counter today, and says, listen you made a mistake on my return, you knocked out my RRSP, we say, let's have a look at this, and we find that you did submit a receipt, well, no I didn't, well, do you have the receipt now, well fine. Today what we do, is we have to go through paper, and send it off and get it processed, and it takes a period of three to four weeks. What we are looking at down the line, is that adjustment will be keyed right on the spot, so that it will substantially cut the time involved.

Q. In your department for inquiries, usually take whomever you get on the other end of the line, and in this routine of business, you don't have special lines, people designated for business, and for just the regular people?

A. No, not in the inquiries. As Mr. Giles said, it, our inquiries area is primarily directed towards the individual, and certainly that would apply to a lot of small business people, the questions they may have to ask may be very much similar to the ones that the individual is going to ask; but within the inquiry area, no.

Q. Because I phoned and got an answer that I didn't like, and perhaps agree with what I had read in the pamphlet, the instruction booklet, and I, this



ned to me personally this year, and I called back again, today, said just a minute, it says such and such in here, and that lady to go and check, and then she came back, and I was right. She had me the wrong information the first time.

Of course, we have new staff coming in at varying times, and they through training programs, but what we do, and particularly this year, we cautioned them, that if you don't know the answer, don't give it. For more detail if necessary, and what we will do, is we will go to body that does have the answer, and call you back.

We do operate a form of consultation service for business questions. Ordinarily, because the type of question that is asked is complex, we encourage people to write to us, and if that inquiry comes and Dave's staff get it, they will refer it to us, unless they can er it. My suggestion to you is that if you have a business problem, are going to have an awfully frustrating time getting an answer over telephone, because the fellow is going to work so hard at not giving the wrong answer, he is going to ask a lot of questions. e does that phone number take you.

takes you to the Chief of our Quality Review Section, and it's our ty review staff who are responsible for the consultation service. there is a place where business can get some help beyond just the ries service?

there is. The answer is yes to that, Mr. Stanbury, but I don't think it's a well known fact that, as I mentioned, as Mr. Walsh mentioned, our inquiries are geared towards the individual; however, I am rested in, and I respect your question, and we do have, hopefully, the le who are receiving that are prepared to realize they don't know



all of the answers, and use our callback system, whereby then we would get it, or that if it's a, as Mr. Newton said, a more complex, that we are either writing in, but it is something that we could very well be considered that we would broaden our inquiries to talk about individuals and businesses, and it's something to be considered.

The department legally and technically is not bound by an expression of opinion of one of our employees. You are getting their opinion, and that is what the informal counselling service is geared to do, but if, we are not bound by it, whereas a ruling, we are bound by what the ruling maybe said if all the factors are what has been presented to us.

Q. In other words, what you are saying, is one is binding, and often costs the taxpayer money, and the other one is more informal opinion.

A. And if it is an informal opinion, it is the reason why we prefer to have it in writing, so we understand the whole ramifications of it, but yes, that's basically and legally, and technically the difference.

There is another difference. The informal opinion is free.

There are some limitations in the consultation service. The chaps will quite freely discuss or correspond but they are limited, sort of, to those situations where they are able to advise as to a section of the Act that would apply, or to quote, that section, or to refer you to the published policy papers, and that sort of thing. They can't really act as business consultants, or advisors, because they are not business consultants or advisors, not by any means, they are good tax people. They really are not geared to helping people plan their affairs, to pay the minimum of tax. I wouldn't take their advice on that, and they work for me.



You are a citizen, too.

If the advance ruling requested from Ottawa turns out to be negative, the taxpayer get his \$250 back?

No. that is another type of refund that is hard to get.

The question was raised, because in actual practice, we did request it turned out to be negative, and we got a cheque from revenue for . Do we have to give it back?

Terrific.

Is there any possibility, .....coming through on customs papers sed to be that you went down to the customs, and you shouldn't ould be put through on a short form, whatever they are called, and ould pass, the trucker could go right away. Most of, many of these kers today, are working on contract, so every hour they are tied up osting them, I would think, hundreds of dollars. We go down to the nal now, to clear items, and I go down myself, and I could be there ong as two, two and a half hours, with a truck driver sitting there. here any way that that can be eliminated, that, I just don't think fair to the truck driver. It's bad enough having to spend my time there, but it's really a very unfortunate thing for a person whose is business, having to put out that kind of money. The problems have found at the terminal, is they claim it takes that long to put hrough the computer, so since they put the computer in, they have yed the service two and a half hours.

It's progress. You are quite right. It does take a period of time a commercial shipment to be cleared. There are a lot of details that to be worked out, the paper work does have to go through the computer, goods may be subject to examination. We just can't release the goods



before determination is made of what we have, and what requirements have to be met. Now, you speak of in the past, being able to go in and clear something on a very short order, on a short form. I don't really relate to what it is that you are speaking of.

Q. I think you used to call it a A form. I'm really not familiar with it.

A. We still have that.

Q. Well, they tell me not. They tell me it can't be done that way, now.

A. If you have immediate release privileges, as we call them, then an A type entry can be presented, and the goods are released in a much quicker fashion than if we are going through a complete cash type transaction, where all the paper work has to be processed, and a cheque presented, before the goods are released. I'd suggest maybe you talk to Mr. Cole here after the meeting.

Q. They say they won't accept it.

A. Les Cole will be glad to help you.

Q. I seem to be full of questions today. This is kind of a funny little thing that happened; that came up through a federal sales tax audit that we just went through. My company, which is a warehouse, and operates on a warehouse licence, bought another company within the last year, that warehouses, but also processes. They were also on a W licence. With this amalgamation, we have been told now, that we should file for a S licence, which we are in the process of doing, but because we are operating out of two different locations at this time, and my location is purely warehousing, theirs is warehousing and processing, they have been filing monthly, we file quarterly, but we are the parent company. Now, we discussed this with our federal sales tax auditor, and she said that this was such a rare thing to happen, normally it would go the other way round. Is that going to make



difference to us at our Burlington operation as far as filing, because we have to file monthly, would we as the parent company also have to file monthly instead of quarterly?

It depends upon the circumstances and how you are organized. If you are going to file one consolidated return for both operations, you would have to file on a monthly basis.

Right now, ours are going to London, because we are in Burlington, and other ones are going to Toronto, we both have the same licence number, so we are filing under two numbers.

That's, the physical location of the firm, and generally in that situation, it is true, you could file in any one of a number of regional offices, and your company itself will be looked at as how you file with us or in London, but if you fall within the parameters of being able to file quarterly, that will continue.

Very good. I like that.

Well, I think it is probably time that we adjourn, because I think that Mr. Short would like to invite us to lunch.

Actually, Bob, as you may have noticed, John Munro was just in here, and he asked me to extend to you, Bob, and to the people from Revenue, and to Mr. Munro, who came out today, to thank you very much for the time and effort that you have put into coming here today, and taking part, in this discussion. Mr. Munro has heard part of the discussions that were going on here, and he really liked it. He thinks it is something very worthwhile. So on his behalf, thank you. Thank you, and thank you to Mr. Munro for taking the initiative in getting this conference underway. I'd like to say thank you to our people at this time. You know, I am very much aware that people in the Department of



Revenue sometimes thought of as a different breed, and not necessarily entirely human, and I think you will find you will have found this morning that they are human; they are your neighbors in the community. They are here to help you, and while they have a job to do in terms of assuring on our behalf, that the proper tax revenues are collected so that we can have the programs, and that we can not be cheated by our fellow citizens who might not be as honest as we are, they are here to help us, and I would like to emphasize that you should feel free to get in touch with them personally. I think they would agree that you should feel free to get in touch with them personally; you don't have to rely on phoning the inquiries number for the income tax department, or going to the clearance office. If you have a problem, if you have a suggestion of how things can be done better, they would welcome it, I know, so please feel that they are your fellow citizens who are there to help you, and we thank them for doing the jobs that they are doing in our community, and we thank them for being here, and we thank you for making the session worthwhile by your questions and your participation and your listening to them. Thank you.



TRANSPORTATION

MODERATOR: Earl Perkins, Port Manager  
Hamilton Harbour Commissioners

PANELISTS: Doug Wurtlo, Senior Advisor Industry Relations  
Transport Canada, Ottawa

Tony Pollard, Policy Advisor, Transport Canada  
Ottawa

Thursday Morning, June 23, 1983



## TRANSPORTATION WORKSHOP

**Tony Pollard, Special Assistant (Ottawa) to the Hon. Jean-Luc Pepin, Minister of Transport**

We're putting 48.6 million into Hamilton Civic Airport. It started out as being about \$180 million expansion of the facilities back in the mid 70's. With the recession and tight money, we were able to bring about a major expansion without spending that amount of money.

Mr. Munro lobbied very hard in Ottawa for the expansion. Some people suggested the airport really didn't need to be expanded, that it was far too much money to spend. The point I always made to people is that Hamilton airport as it was up until a couple of years ago, really wasn't even up to the standards of say, London airport, Windsor airport or Sudbury airport.

### **Hamilton Civic Airport Expansion**

It's a beautiful facility that's going in. We're putting in a new 2.440 metre runway, and the new building will be expanded to about three times its size. All this work will be completed by '85 - '86. Work is going on right now, creating considerable employment in the area. I would assure you people that once this facility is in there, you will have greater utility of the airport, more than simply the F227's which Nordair is operating. There will be more flights here which currently go in and out of Toronto.

Toronto is going to be busier and busier. I flew into Toronto last night and we ended up circling for half an hour. The flight from Ottawa only takes a half hour. As a result, you will see more flights going into Hamilton airport, including more charters.

There will be more flights to Western Canada, and so forth, which is very beneficial for the industrial community here. When industry looks to expand into an area, one thing they study is what type of facilities are available particularly in the air cargo industry. They look to see whether you have the ability to ship parts. The automotive industry which has parts manufacturers here, is a good example. They need to get them manufactured and out as quickly as possible, and for that you need air cargo facilities as well as other transportation modes. Hamilton airport will have a major impact on the future.



## 1 Introduction

me introduce myself and my colleague to you. I am Tony  
ard, Special Assistant to Jean-Luc Pepin, the Federal  
ster of Transport. With me is Doug Wurtle, our senior  
sor on Industry Relations.

ll start by explaining how the transport industry works in  
da from the government's side, particularly with a view to  
it impacts on the Hamilton area. Mr. Wurtle will explain a  
more of the specifics. The purpose of this Hamilton Area  
ference is to explain to the business/industry community what  
grams the federal government has in terms of assistance for  
th.

## About Transport Canada

T. is a highly operational department and does not have a lot  
assistance programs. We are an operational department and as  
result, we spend a heck of a lot of money just keeping things  
g as they are right now. About 350,000 in Canada are  
oyed in the transportation sector. Approximately half of all  
id fuels in Canada are consumed by transportation.

asport Canada is one of the largest departments in Ottawa,  
a 23,000 people just in our department. Of this about 13,000  
ple are in air administration, about 5,500 people are in  
ne administration and approximately 1,000 in the surface  
nistration. D.O.T. operattes a fleet of about 100 aircraft  
70 vessels. We are responsible for the Canadian Coastguard.  
ave an annual budget in Transport Canada of about 2.9 billion  
ars.

at 75% of that \$2.9 billion goes towards the operation and  
tenance of the various facilities we have in Canada. \$750  
ion of this alone goes towards the Via Rail subsidy, so right  
y, the subsidy side of things consumes a considerable amount  
oney. Last year, the Financial Post top 500 companies  
ion showed that if Transport Canada and its Canadian  
lities were considered as a business, we would be the largest  
ness in Canada, in terms of our assets. Look at the various  
orts we hve around the country, and you can see right away  
value of these is considerable.

minister is responsible for more than simply Transport Canada  
h itself is divided up into those administrations I  
tioned. He also has responsibility for Ports Canada and the  
ous Harbour Commissions which, though autonomous, he still  
aks for in Parliament. He is responsible for Canadian  
onal Railways, Vaia Rail, the Coastguard, Air Canada, the  
thern Transportation Company and so on.



When one looks at some of the recent developments in transport, you recognize the importance it plays. Let's go back, say to 1979 and 1980: there was the investigation into the Mississauga rail disaster; there was the inquiry on aviation safety: there were the Via Rail cutbacks, for which at the time, the Minister of Transport was severely criticized. (20% of the network in Canada was cut back).

In Southwestern Ontario, the rail system has, in fact, grown. The LRC's, (The new "Light, Rapid, Comfortable" trains), are now on stream Quebec City to Windsor corridor -- about 12 of them a day.

Currently, one of major pieces of legislation before us is the Crow Rate issue. Last evening we were fortunate enough to get second reading of the bill and later this summer, the committee will be travelling to Western Canada to receive the views of the farming community and other user groups and hopefully we will be able to get the legislation passed as quickly as possible.

In the Hamilton area I mentioned the airport and the \$48.6 million being spent on it. The federal government is also involved in urban transportation, in the form of grade separations for rail lines crossing city streets. The Burlington street separation program is a \$7 million project, of which the federal share is \$3.6 million. I have to emphasize the importance of Mr. Munro's and as well Dr. Hudecki's representations in Ottawa to get some of these projects through. As a result, Hamilton and area has been very successful in receiving funding for such projects.

### **The Hamilton Harbour Commission**

I would be remiss if I didn't discuss the Hamilton Harbour commission. One of Canada's busiest ports, approximately 13 million metric tons of cargo passes through Hamilton every year, of which steel-related material like iron ore and coal is one of the most important. It's been down a little bit in the last year or so due to the recession. Thunder Bay, which had 20 million tons last year, is second only to the Port of Vancouver which had about 40 million tons going through it.

On April 28 this year, Dr. Hudecki and Mr. Munro announced that the Hamilton Harbour Commission will receive \$8 million for the development of its new East Port Complex. New piers will be constructed, a new industrial park in the area and so on. This will have a substantial impact on the area in terms of job creation and diversification of the local economy. I believe around 170 to 180 jobs will be generated in the new term and in the future. There will obviously be more as the port comes onstream with its ripple effect in the local economy.



When you look at transport in the nation-wide perspective, its positive. I don't think too many people can criticize us for not putting in substantial amounts of money and interest into the area, and we will continue to do that.

### Crow Rate and the Steel Companies

The steel industry here, which is so vital to the community, is going to grow as a result of what we are doing in Western Canada. With the changes to the Crow over the next five years the federal government and the two national railways are going to be investing \$16 billion in new equipment and rail modernization. A lot of that is for steel rails, hopper cars and other components of industry in the West. You can be assured that the steel companies here in Hamilton are definitely going to benefit from that. There's no doubt in my mind that although a lot of the impact of the Western Transportation initiative is taking place in the West, that this area here will definitely benefit. I would suggest now that Mr. Wurtle has some comments that he would like to make, perhaps on the specifics of how industry can benefit in this area as a result of transport. I would turn the floor over to him.

### Mr. Wurtle

Ladies and gentlemen, firstly may I say that it's a great pleasure to be here.

I think that you would agree that there are few, if any, businesses that aren't affected, either directly or indirectly, by transportation and therefore, our Minister, and indeed, the Department as a whole are very conscious of the need to work closely with business. There are those who have the mistaken idea that all wisdom and knowledge reside in Ottawa, which we all know is not true, and fortunately our department is not among those. We feel it is very, very important for us to understand the problems that industry has. In talking of stimulating and doing business, I've often thought that perhaps the most the government could do initially, would be to produce a stable environment in which business could operate and to relieve as much as possible the loads and burdens created, both financial and regulatory.

It is very easy to say these things, we know the sort of pressures there are. It's very hard to cheat, but surely the first thing we have to do, and the thing we've been trying to do, is to develop a much closer and better rapport between government and industry. I have been in industry in a big multinational company and tried to deal with government. Now I'm in government dealing with business and have this close rapport is very important, and it has to be developed early on through a good communications system which is operated regularly. To simply deal with business when there is a crisis, is only like working in a garden after most of the plants are dead.



We have tried to do this, and perhaps the best example is when we looked at Section 279 of the Railway Act. This section permits the two major railways to collude on setting freight rates which are important to everybody. There are a lot of shippers who think that should not be allowed. It was felt, however, that there might be all sorts of things mixed up in this which would be bad for them, so before making any move we ought to examine them. I am pleased to tell you that we invited representatives of shippers, carriers and the railway to sit down with us and work out the terms of reference for consultants. Somebody quite apart from government was needed to look at this objectively, was the message that came from various shippers across the country.

When he finished his report, we sent it out, to all these people to look at, get their comments. Then we sat down and had a meeting to go over what had come through. From these discussions, recommendations will eventually be made to the Minister. If you don't have that sort of consultation, then too often new policies, changes of policies, amendments take place that neglect certain aspects which are so crucial to business.

Let me give you another example. In the thing that Tony mentioned, the movement of dangerous goods, there obviously has to be care, reasonable safety and regulations. But we must make sure that those regulations do not place on the chemical industry a heavy burden which makes them non-competitive. Well, here are the regulations, they all seem fine, and this is the date we will bring them in. How many people remember that large companies have to change their computer systems, and do a hundred and one other things which are expensive. They want to be sure it is right the first time. These sort of points come out when you have discussion.

Now, in this particular area, there were problems and about a month ago, all interested business sat down with us and we went over their problems and concerns, recorded them clearly and made sure they agreed with what we were going to do and how it was reported. So everybody knew what was happening and could follow it step by step.

This approach means industry and business when it has to make a decision, can make it feeling confident that there won't be a sudden change, that will make all the calculations useless. When government deals with business there must be this confidence that when you make a financial decision that you are not going to find it's changed tomorrow.

### **The Crow Rate Issues**

The other point that I couldn't possibly miss because I think it has such an impact on this part of the world is of course, the Crow rate. The thing that concerns me most is the difficulty so many people seem to have in understanding the basic issues of the



Many industries feel the rates they are able to negotiate with the railways are over-rated because grain is not paying its share. That may or may not be so, but it is certainly clear that had it not been for this very severe recession, that certainly next year, a lot of commodities would have had to face rationing.

I know better than I, if you have uncertainty about deliveries, it's very difficult for you to export and convince people in other lands to buy your products. We have seen this with the Japanese who are most concerned about whether or not that quota they contracted for in the West could be delivered on time. Perhaps there is no better example than the Steel Companies here, of the excellent deliveries they have maintained in the past and their exports when all other people are having problems.

The rail system must be reliable and you can't expect the railways to accelerate their expansion if they don't have any money to do it. And since, they have had to subsidize the movement of grain to a very large extent since the 1960's, we haven't got that available and that's the fundamental.

Another point is that the initial idea of the Crow rate has since disappeared. At that time, I think the difference was something like 15% of total cost of moving the grain, and the farmer paid for it. Now, it is quite the other way, and other people pay for it. Our Minister, I think very courageously, went forward to try and correct this not only for the benefit of the farmer but also for the railways and other user groups. Let's face it, who wants to move more grain, if indeed you have the capacity to do it, if the more you move, the more money you make. There is no incentive to try and have an effective system. If you go to Vancouver and you see 15 ships sitting out there at \$15,000 a day wasted because of the inefficiency of the system, you have to wonder what sort of nonsense this is.

Of course, out of this will come the expansion of the railway system so we are able to move more potash, coal and indeed, steel. Steel will be required for the rail and there will be many other opportunities associated with the Crow rate. I wanted to share with you these things which to me are fundamental and so important to our department: and that is an efficient transportation system which will enable business both in Hamilton and elsewhere to remain competitive.

### Living with the U.S. Giant

There is one other issue which I believe is also very important. It is: we live beside a giant. I was highly amused at one time by a fellow the other day. He turned to me and said, "Do you want to tell me that the United States is affecting our lives, and in fact almost dictating?" And I said, "Well, I don't say they are dictating them, but, young man, when you live beside a giant, anything he does certainly affects you and you can't avoid it."



In the U.S. the word as you all know, is **deregulation**. The question is: what's this doing to Canada's important transportation system. Earlier, we were talking about Hamilton airport. Many people who fly are moving south of the border, particularly for international flights and using U.S. airlines. I'm not saying that's a good idea. I'm just saying we have to face the fact that this is happening. What do we do about it? For sure, it has to be faced.

Our railways by law have to publish all rates. When they make a rate with you, it has to go up on the board; it has to be seen. American railways can look at this and then they are able to make contract bids in secret with customers. As business people, you know it's pretty tough to compete if the person you are competing with can do things under the table, while you have to show your cards.

There's another thing we have to look at: the worry about deregulated traffic in the United States because in Canada, we don't have a deregulated system. If we did, could we survive? These are the sort of things that our Minister, with a view to helping business, is very concerned about, as is the department. While we haven't got the answers, we're searching for them.

I think rather than go on any more, that it would be much nicer to hear from you than to listen to me.

## QUESTION PERIOD

### Question

I would be interested in knowing if there has been any co-ordination between the development of the airport and the Harbour Commission, and what planning there is for highway action, because my understanding is that one of the problems we have today is lack of proper ground transportation system to access industry to major highways.

### Pollard

Mr Snow, the Ontario Minister of Transportation, has raised this. Highway 403 skirts by but it doesn't serve as that link, and Mr. Snow has indicated that he will be forthcoming in making that link with the airport. As well, Mrs. Jones, Hamilton-Wentworth Regional Chairman, has raised this with Mr. Pepin, and we in Transport are very much aware of that. We've indicated that if the province is willing to put in the funds to link up the airport, we at D.O.T. will make the links there, so that you don't have the airport going in to a dirt road. Right now the links into the Mount Hope Airport are not that great, and we are looking this right now. We expect that with the completion of the airport in 1985-86 there will be a much better



We are not prepared, to be frank, to build Highway 403 up to the Airport ourselves. You have to recognize that roads are the responsibility of the provinces. However, we would definitely make the links at the airport, if the provincial government is willing to put in the road that will lead to the airport proper.

ion

Concern is we will have an isolated gem sitting in there.

r

On that one there, we are pursuing it right now, in view of the fact that the airport isn't ready for another two or three years. I think there is sufficient amount of time we'll be able to formulate some policy that would be able to have the link completed by the time the expansion project is completed.

We learned our lessons with Mirabel and Pickering, how to go about airport expansion in the proper way. As we all know, at Mirabel, we have this beautiful airport sitting out in the middle of nowhere, that nobody uses. Most people agree we did make a lot of mistakes in that area and we learned from them. We definitely don't want to spend millions in Hamilton for an airport connected to a secondary road that's not accessible.

An issue that was raised last October 8 when Mr. Pepin and Mr. [unclear] were down here for the airport sod-turning ceremony, was the question of how to get some type of duty free zone. This is the old concept. In the world today, I think there probably isn't one airport that has an effective duty-free zone existing, and that is at Shannon. Basically, you have free zones which sit duty-free in an area with direct access to the airport for markets abroad. I think it's still something that should be pursued in this area here.

The Mayor of Glanbrook, Mr. Weylie was pursuing this quite actively, and I set up a meeting for him and some of the people from Revenue Canada. The Department of Revenue is responsible for Customs and Excise. I think there are possibilities for Hamilton airport because you don't have the noise restrictions like at Montreal and Toronto International Airport, no flights between 11 p.m. and 7 a.m.

One of the ways we are trying to get around the difficulties at Mirabel is to make it duty free for fuel at certain periods of time. Cargo after all, can fly any time at all. I think the free zone idea is still something to be pursued fairly actively in Hamilton. I think there is potential for it in some other airport. You have a lot of property in the area out there, which I think could be developed for that.



**Question (Edmond Parker, Consultant)**

I guess you are aware that on this free trade zone, as they call it, the economic development benefits, there was a report prepared by a couple of professors of business at McMaster looking at that.

I have the report, and I would be interested in whether the Ministry would take a stand on, and support it in principle.

**Tony Pollard**

We support it. In fact, that report was sent to me and I passed it on to the Department for their consideration. Their view is that they certainly would not put up any roadblocks. It sounds terribly bureaucratic but they support the idea in principle. At the same time, we are very realistic. We realize that the success of free trade zones has not been all that great. As I indicated, Shannon Airport is probably the only one in the world that could actually make money doing this.

What I'm suggesting is: we support it but we don't see a definite market right now, until the airport is expanded. People here should get together and see what the industries want on this type of thing. I know (Glenbrook Mayor) Don Weylie indicated there was some group willing to put in somewhere in the area of 20 to 30 million dollars worth of development for it. We said, hey listen, come down to Ottawa, or we'll come down here. Again it's primarily the Department of Revenue, not us, because it's Customs type of thing. We will provide all the structure necessary, in terms of air terminal buildings and runways and so on. We would support it, but as it stands right now, it is a matter of getting the airport together. I think it's an idea that can evolve.

**Doug Wurtle**

If I could add to that. I have had quite a lot of experience with the Americans who have been working on this for many years. As you know, they have a number of foreign trade zones and they are very interested in the Mirabel concept. There are a few real tricks to this when it comes to actually doing it, which they have found out. If you don't do it the right way, it's a disaster. That's why a lot of them haven't worked out. If you do it the right way, it can be very, very profitable.

The way it works, particularly well, is if, for instance, a Canadian company is building something that brings in parts, from Germany, for example. They are flown in, and put in the duty-trade-free zone. There is no duty paid on those parts. Then they can work on them, put them into an assembly, and so on. Since you don't pay any duty on them, they can be left there for a considerable length of time, even a matter of years.



the whole is assembled, if they go into Canada itself, the is paid. But if they go out, no duty is paid. So it's a derable saving, particularly when the rate of interest is if you can offer it that way. But there are some tricks to hich have been found out by practice, so if anybody is cularly interested in this, I'll give you my card, and keep n touch with what's going on at Mirabel.

## Pollard

pose the interesting thing for Hamilton Airport is not just y the passengers. The basic problem at Hamilton Airport is ame thing you have at London Airport, at Windsor Airport and me extent, at Ottawa Airport. That is their proximity to to. Well, case in point, this afternoon, I have a three ck flight back to Ottawa and I'm flying out of Toronto. The n is there is no 3 p.m. flight from here.

ir, up until the time of the strike last year, lost \$19 on, since 1969, on the service to Hamilton. If they hadn't he strike last year, they would have lost \$4 million last

Because of meetings Mr. Pepin, along with Mr. Munro had Claude Taylor of Air Canada, (because Nordair is a diary of Air Canada), along with Jean D'ouville, the dent of Nordair, Nordair has agreed to continue the service

People are critical of the fact that it is no longer a jet ce. As a business person, I always appreciate flight ules more than what type of plane it is. Sure, I like to n a jet because they're less noisy and more comfortable.

always look at the frequency of flights, and Nordair has us that as the economy turns around jet service may return. the course of the last year, airlines world-wide, are going se \$2 billion. Traffic is down but I think the economy is e upswing and traffic will increase. At that time, you'll bly see Nordair putting back on 737's. You'll also see Air a, I hope, coming in here. Southwest Airlines currently has plication before the Canadian Transport Commission, which ates air traffic volume in the corridor, to serve the or to Hamilton route.

nk there is an indication the private sector is interested king investments in this area here. So you can see there is and, and I think that we'll grow.

## ion

ere a master plan for Hamilton Airport that touches on the belt and other land rise issues?



## Tony Pollard

There is a master plan in effect for Hamilton Airport whereby a general aviation development area has been set aside. I believe the region, is providing most of the infrastructure for the utilities, and they are being hooked up right now. That infrastructure will be for industry to develop. We've indicated very clearly what parts of the field will be used for general aviation. The road network, and so on, as I think this gentleman here indicated a while back, is not completed yet, but it's clearly under way. As well, the Federal, Provincial and Regional Governments have met to determine exactly what type of facilities will be in place. In terms of "green belt" I really don't know the extent of that.

However, I would say the green belt would naturally enlarge the airport somewhat, and move the industry back a little bit. One of the difficulties we have is the land around the airport is good farm land. You've also got a nice little golf course there as well, and I'm sure the golfing community would get up in arms if we suddenly decided to take it over to put in a few factories. I think there's sufficient amount of land readily available for industrial development as it is right now. I could be wrong. Mr. Beck, maybe you know a little bit more. Your people work there, I think...

## Mr. Beck

Yes, I think there is some land, I think there's probably a question of servicing. It's still a matter of how close the Region is to bringing out water for the area. There is work being done and the services will be extended eventually. We signed agreements, in I believe it was March of this year, with the region, finally concluding who was going to put the pipe and wires there, so on. I think it is moving along.

## Question

About the Harbour expansion, to get away from the airport for a minute. What is the purpose of the expansion of the Harbour: to service existing industry, or to attract new industry to Hamilton?

## Tony Pollard

It's to do both. I would suggest that 75% of the extended area is to attract new industry and 25% is for existing industry. I could be off in my numbers, so please bear with me. The Port of Hamilton is at capacity a better part of the time.



londe's budget of April 19th indicated they set aside  
ns for special capital recovery projects in Canada, which  
generate employment as well as put in place facilities for  
ture. For the Port of Hamilton, we decided to contribute  
lion to pay the full cost of Phase I immediately. Then  
II would follow later on. It is there to attract future  
ries, and the reason is the area right as I know it is  
lly undeveloped. The contribution will be used for  
uction of roads, utilities, as well as piers, and so on; so  
there to attract new business.

on

here be sufficient land on site for industry to expand?

ollard

here will. 120 acres of it.

on

t question - has there been thought given to the kind of  
ry that should locate there?

ollard

d presume there has been. I can't really answer that  
t checking with John Agro (Chairman of the Hamilton Harbour  
sioners).

on

xt question I would have, would be same question I have  
the airport, and that's access again.

ollard

efinitely Highway 403. (The province is now twinning the  
gton Skyway Bridge, which will ease access to the East Port  
x).

on

terested in your comments of deregulations. Could you  
t a little more fully on it, on what you feel the  
ment attitude is today for deregulations in Canada, in  
ular, in road transportation?



## Doug Wurtle

I think everybody is in a bit of a quandary as to know what to do about it. Certainly up until recently, the Minister's general attitude was that if we do any deregulating, let's do it incrementally, so that everybody can adjust to it. Let's see what happens if we do deregulate, and people are looking at it. I think everybody is extremely worried, because it certainly is having a very adverse effect, not only on some shippers, but also on the carriers themselves. This is not only deregulation, but any regulations we bring such as those dealing with dangerous goods. We'd better be damned careful that those relate to what the Americans are doing; otherwise we're going to put our own industry in a very adverse position.

## Question

Is there some committee organized that will look at it?

## Doug Wurtle

It's just being formed. Every day I hear of something new. For instance, there is a form which it was felt would be very good to have as far as railway transportation was concerned with respect to certain dangerous goods. When American shippers heard of this from the Canadian railway, they cancelled their contract for \$2 million right away. They said no more of that; we won't use it. We'll use the American lines to take it to Seattle, and then we'll truck it up. That's the sort of thing one is faced with. I'm not throwing bricks at anyone; we now have complete discontinuity across the border, over which we all move a tremendous amount of material, (I think it amounts to something like \$4 billion a year). If you have a major discontinuity, then you'd better get it straightened away fast, or we'll get in trouble. The point I was trying to make here is the difficulty of knowing what to do about it.

## Question

Are there any threats on deregulation?

## Tony Pollard

I don't think so. I think the Minister said very clearly that he was not prepared to rush out and deregulate. In the U.S. you have basically complete deregulation and here in Canada, until a few years ago, you had complete regulation of everything. I think the Minister is trying to find some common middle ground, where we don't have deregulation or overdone regulation.



as air carriers have applied to the Canadian Transport Commission and were turned down, so they appeal to the Minister. Of these, I would suggest 30 or 40% of them, the Minister sent back to the CTC with a view of having them take a second look at it. I think it's quite clear what he's saying to them: he sends them back. He's overturned quite a few and in the process has given the route to people. While I represent the CTC here, I tend to lean a little bit more to deregulation than he does, in that I feel if the carrier feels there is a buck to be made on some route somewhere, it's his money, not government money.

Let's let the guy go ahead and try it. If he fails, then he fails. But at least we gave him a chance to do it. If we had complete deregulation right now, you would not have jet service to places like Timmins, North Bay, Sault Ste. Marie or Thunder Bay. You would not even have Nordair's F227's in Hamilton. You would not have some carrier flying in there without the service you currently have; you would have discontinuation of service completely in many centres in Canada. Because of regulations, many services are still served.

In Canada, we have the difficulty of the very far North, which is so heavily on air services. In the U.S. they don't; they have highways everywhere that are open year round. Many areas in Canada are completely dependant on air transportation. If you have too many carriers go into a certain area in Canada, you'll have problems with so many of them going broke, that eventually you'll have no service whatsoever. So it's important to maintain it.

When our rail system was deregulated to a large degree, in 1967, the Americans, under the National Transportation Act, of which the Americans were very jealous. Their railways were in a state of disorder, and they were looking at what we had. If you look at their laws, they reflect what we had in our Transportation Act, except that they've gone a little further. One has to wonder, in respect, whether that is a good thing or not. I'm not sure, but then I'm no expert.

I mentioned trucking, and I didn't answer. There's one thing I think is very encouraging. Do you remember a little while ago, there was a great fuss over granting of licenses in United States and Canada and the result of all this was the creation of an International Commission on the Border Truck Traffic, or organization to sit every so often to look at the problems of across the border truck traffic. That body met and looked at some of the problems. I don't know whether they realize what is coming up, but they are going to be pretty busy, I think. A lot of our trucking firms are very concerned now. Some of the bigger truckers, I understand, are beginning to think they should get out of the business, and so something that needs to be watched.

It isn't all bad. There is a body there that can take charge and we can look at this thing, and what do we do. I think something has to be done fairly soon. I believe there are at least



24 very large American trucking companies that have applied for licenses to operate in certain parts of Canada. Those are being looked at. It's odd, isn't it, because we're two separate countries, and yet we aren't. We have to work very closely together. The trick is how you do it

### Question

It seems to me that because of the transporter business they're in, the implications are very carefully towards deregulation.

### Doug Wurtle

Well, very much so, and I think that's very important for Hamilton and area, where you do so much trade with the U.S. I know in one particular case, our Minister did say that whatever you do with your regulations, make sure they don't hamper trans-border traffic because it is so important to industry.

One of the interesting things that came to my attention not too long ago related to dangerous commodities crossing various border points in Canada. The Bluewater Bridge at Sarnia, is the only international border point in Canada, I understand that certain commodities may cross. In fact, there is a meeting taking place in Sarnia today, with our people, the Bridge authority, the (Ontario) Ministry of Transportation, & Communications and the Canadian Trucking Association, to determine what type of goods can go across at that point. I found this very interesting, because what a lot of truckers do, when they want to cross from Detroit into Windsor is go up to Sarnia.

I think it's those types of things that we need to have a very close working relationship, not only in Canada, with the various levels of government, but also with our American friends. We don't want to hinder trucking, but at the same time we don't want to end up with a bridge explosion, or something like that.

Dangerous goods is something, because of the Mississauga rail disaster primarily, that has really come to the forefront. It's a field that's very new and growing, and something that hopefully by having the right people at the right places to discuss it, we won't end up repeating past mistakes.

But you know, it's absolutely astonishing the degree of safety that has been achieved without regulations. During the last ten years in the United States, they have moved a hundred million tons of a certain dangerous product by truck and only three people have been killed. I'm not writing those three people off as being nothing important, not at all. When you think that we kill somebody I believe every second, with respect to motor cars, that's a remarkable achievement, really. Mind you, you only need



ve one horrible accident with people getting killed and when  
 et out of bed in the morning. You can fall and break your  
 , but you still have to take that risk.

last week with some people from the Metropolitan Toronto  
 nal Action Committee, M.T.R.A.C. One individual put forward  
 roposal to me that in Toronto, all the rail lines should  
 the city. He didn't even look at the cost which would be,  
 sure, a hundred billion dollars. I asked him how would you  
 all those industries in downtown Toronto. He said, you  
 y put them on trucks. I asked isn't it more dangerous  
 ing something by truck down the Queen Elizabeth Way, or the  
 ner, or the 427, or the 401, than it is on trains. He said  
 , no, no, the important thing is to get the trains out of  
 own Toronto.

nk that approach indicates a lack of comprehension of the  
 ll scope of the problem, and I asked him what about all  
 industries that depend on rail. Even if you truck it in,  
 that going to be difficult? Oh that doesn't matter. What  
 the safety of our children, and all this? I pointed out to  
 and again, the old argument that you're more likely to get  
 k by lightening twic, than to have a railway accident. Oh,  
 doesn't matter he said. I think what happens so frequently  
 at people tend to get a little too emotional in these  
 s, without actually getting into the nuts and bolts.

nk the enlightened approach to solving some of these  
 ems working together. There is one case that took place  
 12 or 13 years ago, where a very dangerous product,  
 actured both in the United States and Canada, was being  
 ported across both countries. So the company went to the  
 nment and said if you will make the proper arrangements, we  
 have one plant in Eastern Canada to serve the whole of the  
 eastern United States and Eastern Canada, and we will have  
 ut in the West in the United States, to serve the whole of  
 rn Canada, and the Western U.S. Now, that to me, is a  
 ble, enlightened approach where we work together as friends,  
 r than putting up barriers and endangering everybody. That  
 is the sort of sensible attitude. I don't think it's all  
 ahead.

ion

ing of hazardous waste, would Transport Canada, for example,  
 rking with Ontario Waste Management Corporation in their  
 es for transportation?

Wurtle

they certainly are.



### Question

And in the aspect of treatment of waste?

### Doug Wurtle

This is a major problem. It got to the point where everybody wanted to get the waste out of their particular area. As long as you got it on a truck, and it was properly marked, just get it out. But where do you take it? Nobody wants it dumped anywhere, so you just keep it on the truck, moving around, which is more hazardous than leaving it where it was. It's a very difficult problem and the two governments are working together, trying to find where they should deposit wastes in a safe manner.

### Question

One of the statements made over the years, is that the general public doesn't realize that certain things carried in rail cars have to meet federal government regulations. I think possibly that more knowledge should be put out to the public with regards to what the regulations were before and are now.

### Doug Wurtle

You mean the labelling, or the actual construction of the...

### Question

Well, what I mean is this: just a few years ago here, a propane truck on the Skyway Bridge had an accident one morning. CHML Radio spent all morning until about 11:30, telling how there were six fire trucks standing on the road, waiting for this thing to blow up. Federal government regulations governed the manufacture of that tanker. I said there's no possible way, unless something very unforeseen happens, it will blow. Finally at 11:30, CHML mentioned that they just found out that there were certain specifications that tank was manufactured to, and certain instruments on it, that there was going to be no problem. But everybody made a big thing of it, and I think that if people knew, it wouldn't have been so big.

### Doug Wurtle

I was reading in a piece of correspondence the other day, where they were talking about that sort of thing. Apparently even if there was a fire around it, and again, it depends on what the commodity is, propane is different than some type of dangerous chemical, they can withstand fire around the thing for up to five



Also, in the composition of railway trains, when you have various commodity, you don't have five cars with that commodity and a potential explosive car.

We have hot box detectors now, one of the things out of the Commission (on the Mississauga derailment). This device determines whether there is heat and whether the car has a potential for derailment. Those are okay in urban areas where speeds are restricted. I think most people still visualize a freight train that's rattling down through an area, and the engineer on the train is just going as fast as he wants to. That's not the case at all. It's quite highly regulated. Sure, you have a lot of derailments here and there and the difficulties that arise, but usually it's because of human error. Somebody forgot to flip the switch somewhere, or some kids were playing at the side of the tracks. On occasion, other difficulties arise, not because of human error, but I think our track record in this country is fairly good. Thank God the Mississauga disaster didn't happen back then. So, I think our record is becoming much more positive.

We have to keep in mind the cost of all these safety measures. We can make it so safe, we would be strictly non-competitive and nothing would move anywhere. That's going to be ridiculous. This is why we have meetings with the industries involved so that we can come up with something that is sensible and allows the industry to be competitive and indeed to be competitive with the Americans as well, because they have some say in what goes through there.

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Would you presume that there is a fairly good interchange between the Chamber of Commerce and government. Or is there?

Pollard

The president of your Chamber and Mayor Powell met with Mr. Pepin last summer on the question of the airport. (Regional Chairman) Mr. Jones has been in to see him two or three times. We have an office in Ottawa and we try to keep the lines of communication as much as possible. The airport here has occupied my time for a long amount. If it isn't John Munro calling up wanting to know what is going on, I've got Gordon McNulty from the Spectator in London coming in all the time, and so forth. I tend to think that we have a good relationship. I know we don't always do anything that pleases everybody. We try, but we can't please everybody all the time.

A difficulty that I find happening so often in my work, when I walk around and see people, is that people will come to me in person, and say, Hey, I've got a problem here, the government is



screwing me, they're doing this, they're doing that. I always say to them, you know where to find me, call me up in Ottawa, when you see something developing. Get in touch with me beforehand and see if we can straighten it out. Don't leave it until the whole thing is in real mess, and then you go and cry on the shoulder in Ottawa. Frequently you can solve problems at the beginning a lot easier than you can at the point of no return. I would recommend to everybody here that you get in touch with us when you see something brewing, before it actually happens.

Our railways are pretty good, you know. They do a pretty good job. They're not making very much money right now, but they have been very successful. I think it speaks for itself when you think that we move coal, I think, at a rate that is 1/5 less than the U.S. does. Now, that may be changing but that was true about a year ago. Consequently, we have been doing pretty well in world markets for the sale of coal, but it's going to be tough in the future, particularly if we don't get the Crow rate.

If we don't get the Crow through, the first thing the Japanese or any other buyer is going to say is: can I be sure that you are going to deliver on time? Because if you're not, I can't see all our companies shutting down. That's a very crucial point. So far we have been able to convince them that we are determined the railways will be capable of moving goods.

A few days ago, in regard to the Crow rate, I told this gentleman I felt the crow rate should be increased. The rebuttal I got was that grain in the United States is brought out the Mississippi River, is transported very cheaply down the Gulf, and Argentina, supposedly, mark-up handles the cost of transportation, at no charge to the farmer. So what this chap was trying to tell me, was that if we increased the Crow rate, or brought the cost of handling wheat up, that therefore, we would not be competitive in foreign markets. There is a clause in the Crow legislation which covers that situation, so that would not occur.

There's a safety margin in place whereby the transportation cost will never reach more than 10% of the total cost; as a result of that, it's been taken care of. You have to recognize that the U.S. already has in place a lot of this transportation network. In Canada, we don't. You'll recall that in the late 70's, the farmers couldn't get their wheat to markets. The wheat just sat there. In the States, they have the Mississippi Valley, they can put it on the barges and send it down to New Orleans and places like that. We don't have that ability. But we're trying to rectify that in the future. There needs to be a capital improvement, and doesn't come cheap.

I think where your friend is wrong, is that he is assuming the government is simply telling to the farmer: Now you are going to pay the full rate. Nobody is saying that at all. All they are saying is that the farmers should probably pay a little more, because the railways simply cannot go on at the same rates. I



... it was as late as the 60's, the Crow rate amounted to something like 80% of the cost of moving the grain. Now, it amounts to something like 15%. That's a very big difference, because of the inflation. It'd be great to buy a gallon of kerosene for a dollar. We'd all like that. That probably is what it was in 1897, but you can't keep on the same.

A farmer pays less to move a hundredweight of grain from Winnipeg to Toronto, than it does for you to send a letter. That's absurd. The railways now are having to foot the bill for the difference, and the government has been paying a tremendous amount for redoing the branch lines, and then you say, why the branch lines, is that the best way of doing it? The Minister's idea is that you as a farmer, would have the right to decide which is the most efficient way to move your grain.

Let me give you an example. One farmer wanted some cash as quickly as possible. The railway said it could move his crop in a week and a half months, using the branch line. The farmer was comparing this to a trucker, and the trucker asked how much grain he had. He told him, and the trucker said he would move it down tomorrow night to the main rail --- but at twice the cost of the Crow. The farmer said, it's worth it. Move it. So he had his whole crop moved down to main rail by the next night. It was packed up and away it went.

Clearly the farmer has the right to choose which is the best way to move his grain. But if you have the system now, that is being suggested, it means that the farmer has no more choice at all. He has to move it, because that's where the subsidy is. To me, and I speak personally, it's just very tragic, because it undoes part of the value of the Minister's bill. Nobody's forcing the farmer to pay the whole shot. If nothing is done, the government can't afford over a billion dollar subsidy a year to move grain. When I say the government, it's you.

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... reasons that Churchill hasn't been used more to take the grain up there and...

Pollard

... I think Churchill has been used a great deal. What happened was that the grain went from the Western farmers and from the agricultural producers of Quebec, who are supposed to have a 50/50 split of the subsidy, (half to railways, half to farmers). The entire subsidy is now going to the railroads. But that eliminates the benefit that Doug was saying, that the farmers decide how to use the grain way system. Now, we've got farmers in Quebec on side; we've got the farmers out West a little bit happier. The producers



out West and now the trucking industry are up in arms, because they've lost all that benefit they would have had trucking that grain. You can't win.

The truckers have also lost the grains they used to carry, which will now come under the new rate, so the truckers are extremely upset. As Tony says, there's always something. It just seems so fundamental to me, for all industries, that we have a system which is efficient, and doesn't cost the provinces money.

### Question

Because this is a manufacturing city, all this other stuff, if it's working properly, keeps this city healthy, but it isn't. We're the ones that maybe could use more than everybody else to a degree.

### Tony Pollard

Either way, Hamilton as an industrial center of Canada is going to benefit, because of the investment that will be made in Western Canada provided that the steel industry invests the necessary products. Hopefully, there will be more winners than losers, and I think there will be, but Hamilton will definitely benefit from it.

Look at the hopper cars, at the steel for the railways, things like that. It's phenomenal, you know. The federal government, probably over the last four or five years, and for the next two or three years, has purchased and will purchase along with the provinces of Saskatchewan and Alberta, over 15,000 hopper cars at \$70 000 at shot. National Steel Car has always received at least 35, if not 40% of the orders for those. In Canada the difficulty is that there are three rail-car companies, two too many. We've got a ridiculous situation, whereby Hawker Siddely in Nova Scotia, builds hopper cars. Every hopper car built there costs \$5,000 just to get it to where the market is in the west.

That brings up a very interesting point. We were mentioning earlier about stability. In New Brunswick, people are saying changing the arrangements for moving grain out West makes it better for us, because now we can go back to what we used to do, which was producing wheat. They produced very good wheat but gave that up years ago because they couldn't compete with the very low freight rates the western farmer got.

Now, what they were saying is can't this be changed slowly, so that we can start to adjust to these changes? It seems to me that this sort of thing is so important. If you make a change, and the Minister has often said this, try to do it incrementally so other businesses and situations can adjust, and not be left holding the bag.



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thing that I noticed about these car orders, I suppose they should have come to Hamilton then. But there was no mention by Transport Canada that although maybe only a portion of cars were manufactured here, the bulk of that steel came from and also the air brakes came from here. That's a fair size in itself. I mean, we got that. We didn't lose it, but was no mention made in anything...

Pollard

we did was, and unfortunately the press doesn't pick up anything that is positive. They have a tendency to talk about negative things sometimes. What you say is very, very true. Of every hopper car costing \$70,000 apiece, 80% of all the components that go into hopper cars comes from Central Canada, mostly from Ontario.

are being manufactured in other centres of Canada, but you have that benefit of those components coming through here. For instance, if a coal car is manufactured in the CNR Yards in Winnipeg, the parts are all coming from down here, with a few exceptions. Unfortunately, the press doesn't choose to look at it that way.

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ought that, (CN's decision to manufacture its own coal cars in Winnipeg), was a mistake. The general public in Hamilton had the idea that everything was lost. It was simply a very bad economic situation here in Hamilton, whereas maybe overall there was a 10% loss. I mean maybe the labour was lost, but maybe very little of that to a degree.

Pollard

a coal car, isn't as expensive as a hopper car to manufacture. We're told western input for a coal car is \$8,500, whereas the eastern input is \$43,500. That has a direct impact on the community here. I think you have to recognize that the federal government is different from the provincial or municipal governments. We always try for some kind of a balance nationwide.

Pepin has taught me always to look at things from a national perspective. Sometimes it's difficult to do that when you are dealing with a parochial interest. It's difficult to explain because each area believes it is a unique situation. We try to strike a balance.



For the benefit of some of you people who might not be aware of it, CN, and BC Rail had a requirement for about 970 coal cars and the federal government, this year, wanted to build 1380 hopper cars. Of course, people in the Hamilton area said this is great, we'll build all the hopper cars, and all the coal cars, which we'd love to do. But on the hopper cars, we went out to bids as we always had, and balanced them. The best bidder gets 40% of the order, the next one gets 35%, the third gets 25%. In the past National Steel Car received 40% as low bidder, 35% went to Marine Industries Limited in Sorrel, and 25% went to Trenton.

In this instance, it happened that M.I.L. put in the best bid. They got 40% of them. So we went with them, based on historical precedent of it, although some people in this area were opposed. We did what we've been doing in the past, giving the best balance to it.

On the coal cars, yes, they were built by CN in Winnipeg. They already had the facilities to do it there. They have built cabooses, wood chip cars and flatcars in the past. CN didn't have to build new facilities. But as I pointed out to you, the majority of parts come from this area here. While the steel companies have laid off massive numbers, CN had also laid off 8,000 people last week. We have to look at the impact on these various areas. What Mr. Pepin tried to do was strike a balance, and I think it was fairly effective.

There will be more. Next year, we are going to be building another 1,280 to 1,380 hopper cars, and once again, National Steel Car will have the opportunity to bid on those. If they get 40% of the orders next time around, that creates employment for National Steel Car for a couple of months.

The point I always make to people is to make sure that you sharpen your pencils. Put in a good bid, and in return there will be work here. That's over and above the other things that we were talking about. 16 billion dollars worth of investment in Western Canada over the next five years, and that means steel. When the Prime Minister in 1980 talked about double tracking in the West, everybody laughed. They thought he doesn't care about the West, what does he know. Well, his double tracking is now becoming a reality in Western Canada. There's the Rogers Tunnel, three billion dollars, or something like that.

Ladies and gentlemen, I hope that we've been somewhat informative and perhaps enlightened you to a few things. I've learned a few things from this session. If you have problems, we can come here to talk to you or you are welcome to come to Ottawa. I know that sometimes people are critical that they can't always see the



ster all the time. That's why he has people such as Doug and  
lf working for him. If there is anything we can ever do to  
ide you with any information or guidance, just let us know.

nk you.

he way, if anybody here can tell me, who owned Century House  
he top of the mountain.

**ELISTS:** Doug Wurtle, Senior Advisor, Industry Relations,  
Transport Canada, Ottawa

Tony Pollard, Policy Advisor to the Hon. Jean-Luc  
Pepin, Minister of Transport







INTERNATIONAL TRADE

MODERATOR: Dr. Alvin Lee, President, McMaster University,  
Hamilton, Ontario

PANELISTS: Ms. Lorraine Andras, Director of Trade, ITC/DREE,  
Toronto, Ontario

Thursday Morning, June 23, 1983



INTERNATIONAL TRADEModerator:

Ladies and Gentlemen, let's come to order. This is the second day of our Business and Industrial Information Conference organized by the two senior levels of government, the main impetus from Mr. Munro, I believe. I'm pleased to be one of the co-chairmen of this Conference. My name is Alvin Lee from McMaster University. The session that you are in, in case you are in some doubt, which is unlikely, is International Trade. We have only one panelist in this session, but I am told she is more than adequate to serve as a whole panel. When I saw the program, I was a little worried that I might have to fill in for an hour and a half, but there is no likelihood that will happen because what I know about International Trade could be summarized very adequately in one paragraph.

I'm pleased to have you here. Our guest and panelist is Lorraine Andras, who is Director of Trade, not in the Ministry of State for International Trade, but in the Department of Regional Industrial Expansion, which she will explain to us in a moment what all that involves. Our session is going on tape. When you speak, as indeed I hope most or all of you will, please speak as clearly as you can, and it has a chance then of getting on the tape. There is no mike back there, and that is unnecessary in a room this size. The purpose is for our speaker to tell you the services and the possibilities available from government to help you in matters in international trade, to



you to specific programs to help open doors for you, so I hope you make the most of the next couple of hours. Lorraine, over to you.

er:

Thank you very much. My name is Lorraine Andras. I am with the Department of Regional Industrial Expansion, not the Ministry of State for Development. I just would like to explain that relationship to try to avoid any undue confusion because I will be referring to it in my remarks to the Department of External Affairs.

Some of you may be aware, or recall in the past, that you have heard of the reorganization of governmental departments. This took place a year and a half ago, and at that time, the trade development program and responsibilities were assigned to the Department of External Affairs. Some of you who were here yesterday afternoon heard of this, I can't say unholy alliance, but this "living arrangement" between the Department of Regional Economic Expansion and Industry, Trade and Commerce. That is the department that I represent at the moment.

I'm from the Toronto office, the Ontario regional office, and I apologize for sort of whisking in here quite so late, but I just came in from the States, and there was an accident on the freeway on the way in.

We are responsible, in the regions, i.e. in each province, for the implementation of the, and the delivery of, the mandate of the Department of External Affairs with respect to trade development. So, when we are finished



this and you walk away, and you remember there were all sort of questions you would have asked if only you had thought of it at the time, don't look in the Toronto phone book for the Department of External Affairs; it's Regional Industrial Expansion, First Canadian Place. I'll give you our phone number right now: 365-3737, area code 416. I should point out that this office and this program which I head is there primarily to help you when you have questions, and don't exactly know who is the right contact in such and such organization, or what about EDC Financing, what about alternatives, what about this, what about that. We're there to help direct you. An awful lot of our mandate, or an awful lot of what we do is acting as a traffic cop, to steer questions or to get information for you. Keep that number in mind, that's really why I took the opportunity of trying to explain the relationship of ourselves to the Department of External Affairs.

I've touched on External Affairs, and I should point out that it is structured on the Trade Development side into what we call geographic bureaus, international bureaus . . . one responsible for Europe, one for the U.S., another for Far East, African Middle East, and Latin America, Caribbea. Their responsibilities are to develop profiles of the market in each country, to keep abreast of tariff questions, access questions, economic situations, the possibility of getting our goods in, and more importantly, the possibility of being paid for them, which is an increasing problem in certain countries nowadays. Each country has a "desk officer", who makes it their responsibility to know just about everything that can be known about what is happening in that country. They also know specifically what missions may be going to that country, what incoming missions, high senior people wanting to talk to a manufacturer, or consulting company, such as yourself. They are a good repository of information



ther best source of information is in the country itself. I'll come to in a few moments. So, they prepare market information, all sorts of information that is available. If you don't know exactly to whom to go there, u're wanting to find out what's the situation in Algeria, or what really he import controls in Venezuela, how can I get my money out of Mexico. u don't know exactly to whom to turn, give us a call and we'll either you what we know, get you what we don't know, or put you in touch directly.

So, there are many sources of up-to-date information on specific ts. Now, I mentioned also, that there a number of missions, outgoing ons. I have, in the back of the room, a brochure, rather colourful, which nes the concept of the promotional projects program. We call it PPP, se we tend to like all these three-letter acronyms. But it is a program tends to focus on international trade fairs, and also missions to countries it has been identified, through a back-and-forth discussion with the Post, discussion in Ottawa, where there are key opportunities for given Canadian nies in given sectors. This program is planned, usually a year-and-half vance, and if you are interested in a particular country, and want to know er we have an outgoing mission there, whether we're into a trade fair, er the Japanese electronic show is something we, as the Federal Government, oing into, then let us know.

Normally, when we ask a company to participate, or invite a company rticipate in this, the Government coughs up just about half the cost of cipating. So, we provide the organizational resources to get the thing e road, to get the booth space. We give you the booth space, and you make that you provide the cost of getting yourself there and the cost of making



the display. It's an attempt to share the cost of going into some fairly expensive shows, ones identified as key market areas.

Similarly, there are outgoing missions too; in order to capitalize on opportunities that the Posts have identified. Again, these are usually planned in advance. You should know all the major ones that are going out in the next period of time and, if you are interested, if you feel you are at the point to branch outside the North American continent, than maybe this is an appropriate form for you. Again, similar 50/50 type of sharing.

Also, there are incoming groups. These are usually identified on a shorter time frame by the Post. For example, when I was in Sweden, we saw the sale of coal from Canada to Sweden as a prospect, so we organized, with the concurrence and the assistance of Ottawa, five key Swedish decision makers to come to Canada to visit a variety of companies in that business.

These are usually done on a shorter time frame because they are a little more responsive to immediate opportunities and again, there's a lot of them happening, a lot come through Ontario, as you can well imagine. Perhaps not coal producers, but just about every other mission is likely to come to Ontario. So, if we know of your interest, we can try to match up your interest with those missions coming through. What I've described up to this point, is the way the minions in Ottawa and in Toronto see the priorities. We try to establish strategies based on the market information we get and try to concentrate on these things. But, obviously, that is not going to necessarily fit your product, or your service. You are usually the best one ("usually" I put in quotation marks) to know what is the most likely potential market for you,



it may not fit in areas that we happen to think of as priority areas really. Many of you probably have already utilized our programs for export development. I'm prepared to listen to success stories and perhaps a pile of bitches too, if that is the case. There are application forms at back.

We recognize that there is an awful upfront cost involved in exploring new market. Those of you who have tried it, know that. We usually find that, in the United States, you can expect to have a quicker return, but nonetheless, you have to make that upfront expenditure of time and, more particularly, money, and reallocation of your human resources.

When you get outside the North American market, the lead time before you start getting results, in tangible terms, may be two years, or, in some instances, three. So, there is an upfront cost, and most businessmen, when they look at the bottom line, are going to think twice about making a new venture. Our program is an attempt to help share that risk with you, the risk of exploring a new market. We agree to, if you are found eligible, help share the initial costs up to about 50% of the overall cost of going to a new market . . . . When you actually get on the scene, meet with potential importers, distributors, and so on, whatever is your preferred vehicle; and, secondly, we are there to help you when you go into a show that's not one of our sponsored shows, but one that is more appropriate for your product and your service at the right time in your planning cycle.

These trade fairs can be fairly expensive. Those of you who have done this know. We will share approximately 50% of those basic costs. Also, when you



finally have somebody almost on the dotted line, but you have to bring them in to show them your production line, introduce them to your clients (who are going to swear that you are the best thing since sliced bread), talk to your service people, your training people, and, also, wine and dine them a bit, we will again assist in sharing the cost of bringing in that person. Not all the wining and dining, I inform you, but the basic costs.

We are trying to encourage companies to get themselves together to help amortize the upfront costs of exporting and, perhaps, even coming to form a legal consortium. If you want to do this, there's money to help determine the feasibility of this, and, secondly, to help in the actual implementation of setting up an office, and staff, etc., to three or more companies that are joining, legally, in a new entity in order to develop export markets. Similarly you may have already been exporting in a given market area, and you know the market pretty well, and from that point of view, you recognize that you really can't go any further unless you, physically, have a presence in that market. If you are looking at a sustained marketing effort that involves a physical presence, then another aspect of our program is available to help you determine the feasibility of establishing a presence there, i.e. a showroom, a warehouse, perhaps assembly, or some form of joint venture. This is something to keep in

There are particular aspects of the program that deal with food producers, agricultural products, etc., and also for the consultants that are here, and the large capital producers. Most of you are already aware of the provisions for assistance in getting in on large capital projects, where there is a tender given. These are, in a nutshell, the types of things we will try to help you do through this program.



Finally, I come to the system of Trade Commissioners, around the world. We have people, Canadians, resident in at last count, I think it was thirty-two countries around the world. In many instances, there are more than one and sometimes five or six, depending on the size of the mission. These people are there to act as your eyes and ears. They are there as a focal point to give you a feeling for the market. They can do some preliminary market research, direct you in the right channels, make contacts for you, help you with your agendas, etc.

I'd like to run through what they will do and what they don't do, because I think if you understand the limitations, then there is less chance of being disappointed. First, they can provide market intelligence. This is not to say that they will do detailed market surveys. I'm sorry, but there is an awful lot of businessmen competing for the same amount of time and there is not the possibility of doing detail market surveys for each and every individual. But, market intelligence, indications on the prospects on the market, export restrictions, access problems, questions of certification, labour codes, ancillary things that would indicate whether you should look at the market as a priority, or look to another one that looks a little more open . . . these are the indications they give. They can advise you in person, if you wish to visit, or in paper, how best to penetrate the market. In some areas, it is just not possible to use an agent; in others, it's quite acceptable; in others, it's the only way of doing business.

They can give you the "ins" and "outs"; they can advise on appropriate contacts, distributors and users. If you give them fairly detailed information about your product, I think you will find that the list of people is just that much



better defined, and more pertinent to your product.

I myself am a Trade Commissioner. When working in Canada for a couple of years, it was my own experience, and that of my colleagues, that one of the most frustrating things is to receive, when you are abroad, a letter from a company, one that is mimeographed, and starts, "Dear blankety-blank." We suspect that the company has not really focused on a given area, and that the letter has probably gone to a very large number of people. If we receive that . . . if you send out crap, you'll get back crap. I think if you just remember that, give a little care to what you sent out, it should indicate really, who is your company.

As a trade commissioner abroad, you deal with about 14,000 manufacturers in Ontario alone. We would like to help the companies that are not in the top one hundred, as well as those that we already do help in the top one hundred. The best thing to do, is to give a short description of your company; you know, we are a family-run organization, we've started at such and such, our sales have grown from approximately this to something like that. We're not asking for financial statement, or whatever, but if you give us an idea of the size of your company, we can help. There's no need to put a Northern Telecom in touch with a small agent; but, at the same time, if you're a small company, we do not want to misrepresent your company to a very large distributor who is going to expect to receive production from you in volumes far in excess of what you are able to produce. So, give us an idea of your parameters. Also describe the product, especially if it is something you make that is intricate. The people abroad are pretty smart. Most of them have been around the world.



are them because they have "smarts." I like to think that anyway. But, you know your product or your service like you do, so give us a little more information. You know, we are generalists, by and large. Some of the key Post people are specialists, but most of the ones you will be dealing with are generalists. Give us a idea of what your product does, how you use it, and any of the particular attributes that make it unique.

If you can outproduce, and outprice your major world competitor and be most-competitive in your home market, then tell us. Give us a few clues about how you operate. Do you prefer to deal with end users? Have you had the best experience dealing with an agent or distributor? . . . or piggy-backing on somebody else who sells the thing on which you attach your product. For example, you are a high technology company, it helps to know which government with which you are compatible. I am abroad, and I only link up with controlled data. I just go to a control data distributor and say, "Hey, do you want to take on somebody who has a nice little niche that goes into your product?" That's a likely person to turn to if we have that information. With you can expect, I think, to receive some fairly worthwhile information.

People who send off only one sentence about what they do and how they do it quite often may be disappointed in what they get back. It reminds me of a chap who told me they made "power trains." He wrote someplace in the United States. The person who responded didn't understand that a power train was a steam locomotive and said that "there were no plans to expand their railway system", so there was no market. All he had said was "power trains."

He went back and did the proper type of letter and then received a better response. Avoid that first wasted step. Do it right the first time.



Remember that letter, take a little care with it. It is the only communication you are going to have with the Post; and if you want something worthwhile from them, you don't want to be waiting for two months or so to find that what you get back is inappropriate. That's my lecture, I'm sorry.

Also, when you have activities in a country, it is wise on your part to send a copy of your correspondence to us. We don't want to interfere in your personal, your professional affairs, or your business dealings but, at the same time, we can help them abroad to follow up and remind people. You have all heard of the cocktail network. Well, we try to use that to good advantage. If we have an idea of what you have done or what your interests are, we can perhaps help to follow-up, plug you into new things that we hear of, that may not yet be public knowledge. So, it is wise to let the embassy know discreetly whatever additional follow-up you have made in that country.

Many of you will also be aware of the Export Development Corporation. Most of you will probably find that your dealings with them will deal primarily with insurance. They deal with insurance on a long list of things: global comprehensive; global, as well as selective political insurance; specific transaction insurance, and guaranteed; load pre-disbursement insurance; foreign investment insurance; performance security insurance; consortium insurance; surety bond insurance and bid security guarantees. That is the list of insurance alone.

Also, they are perhaps, your first source to consider when it comes to financing a deal that you may have been able to put together. They provide loans; they provide a line of credit to the buyer; loan guarantees; a good number



yer credits, so that in fact, you are able to arrange for your purchaser  
 y you. Obviously, nowadays, they may not be covering every country. In  
 they operate as a self-sustaining, profit-oriented corporation, on  
 f of Canadian exporters. That leads, of course, to the question of credit  
 ther forms of parallel financing. These mechanisms are a way in which  
 l financing for international purchases can be arranged so that, of course,  
 overall bid becomes more attractive. In as far as EDC operates, not as  
 -profit organization, but, clearly, as a self-sustaining government  
 y, they do have some limitations. Everyone would always like to have  
 er credit in the international sphere. They will, and do, match any  
 ssional financing that other governments are known to be offering for  
 urchase of equipment that is in competition to Canadian.

There appears to be some body of opinion that says that EDC should  
 n up on the criteria for determining whether other countries are providing  
 ssional financing. It is not always possible to determine, in black and  
 , that your competitor is offering a mixture of subsidies, plus hard  
 est-rate financing. You don't always come across those nice, neat papers,  
 an you get assurances necessarily from anybody but the end purchaser;  
 hey are always somewhat suspect. So, there is a move afoot to loosen up  
 ose criteria, and to provide some form of reasonable assumption that  
 where reasonable assumption can be made, see that concessional financing  
 ailable.

I would also suggest, that, if you are interested in the export  
 , you might also wish to contact the Canadian Commercial Corporation, and  
 y and Services Canada. In fact, these two groups work quite closely together.



The Canadian Commercial Corporation acts as a contract procurement agency. When other countries, and particularly international agencies, wish to purchase supplies and services from Canada on a government-to-government basis, they will act as a prime contract door. In packaging a deal in response to a request they do not provide the services themselves, but always go to the private sector. Now, when it is a single purchase, or a single item type of purchase, they relate very closely with Supply and Services. In fact, even within the domestic sphere, if you are interested in broadening your net, you should be in touch with Supply and Services because it does an awful lot of purchasing within the country.

The Canadian International Development Agency. Its focus is to help develop countries requiring assistance. Their interest is in technology transfer and such. They do provide certain types of concrete financial support to companies. For example, you want to joint venture with a company in Indonesia and this joint venture will increase the industrial base of that country. It also means that we get a foothold there. This is a dual objective which is met under their programs. They provide starters, starter studies of up to \$10,000 for preliminary analysis of opportunities; and they go up to \$100,000 (on a matching basis) in order to provide a detailed evaluation of projects which you, basically, have initiated. It may, in fact, have evolved from a mission overseas, under one of the previous mechanisms we discussed; or a company-sponsored market-identification trip that you made. You may have decided that the best way to get your foot into a country, because of its particular government policies, is to be physically present there. If this country is a "developing country," then CIDA could very much be a likely channel for you, a likely source of funding. Also, we have lots of money for aid to



ateral organizations.

We are strong in trying to ensure that Canadians pick up the greatest of benefit from these projects and, consequently, CIDA is a good source of information on projects sponsored by these developing agencies.

I happen to have somebody in my office who has gone to great lengths to research the various projects at various stages underway around the world, sponsored by international development agencies and banks. CIDA also contributes on a bilateral basis, contributing to specific projects in developing countries. These funds tend to be tied to the purchase of equipment, where such equipment and services are available and suitable for the nature of the project. For the specific contact in CIDA that may be relevant to your company, call my office and I will have the correct person speak with you the various particulars on the matter.

I should also point out that when it comes to these large multilateral financial institutions, or projects sponsored by them, CIDA also provides support for pre-feasibility studies intended to accelerate industrialization in developing countries and facilitate Canadian participation. These pre-feasibility studies can go up to a quarter of a million dollars. These are one of the other mechanisms available, under CIDA, to assist you when it comes to developing countries. So do not forget that side of the equation as well.

I have spoken at some considerable length. I would now invite questions from the floor. Please don't be hesitant. What I don't know, I'll endeavour to find out for you.



Moderator:

This room is filled with people; and most of you will already have had some, or a lot of, international trade experience. You have probably had both successes and possible failures or frustrations which you have had to deal with. Lorraine, with her wide range of experience and contacts, may be able to provide helpful comment. In addition, we are assuming that a lot of potential international trade relations are either in preliminary sketch in your head, or in planning stages. She may well be able to point you to things that may be helpful.

If you will give your name when you speak, and the nature of your company, that will help focus your questions. We are not here to pry into any of your private business affairs. Simply tell us what is necessary to get the questions well notched, and Lorraine can take it from there.

Question: My name is Hopper. We manufacture big machinery. Would you please detail the easy financing terms. I think there's some misunderstanding. Some say money is always available. We have orders from foreign countries and they ask us to look into financing . . . if we make the products here in Canada. I would like to see industry financing.

Answer: EDC operates on commercial terms. As a commercial institution, it has to cover its own expenses. It has what you would call (as most banks would call it), "exposure limits" in various countries. Sometimes they come to the height of their exposure ceiling in a given country. What you may find is that a country may not be on any black list but, in fact, EDC feels that with the



lio they have, and the source of funds, and the direction of these they cannot commit themselves any more to that given area. This, again, es in exactly the same way as the banks do. So what we often do in our , where this is a problem, is to try to assist Canadian companies to find sources of financing.

There is a problem too, that most companies, or most banks (if not arter banks, then Schedule B banks which are very hungry for business) require insurance, and insurance may or may not be available from EDC on me basis as I mentioned before. It usually is available but there are nstances, for example, instances in Eastern Europe, where insurance is ailable despite the fact that there may be letters of credit or guarantees by central banks, or centrally recognized banks.

The financial field is very complicated these days, as I am sure you n appreciate. Where we exhaust the possibilities of EDC, there do remain sources. I would find out about that. The Ontario Development Corporation, the Ontario Government, has an export support loan which operates a ing line of credit. It will reimburse you for, I think, 85% of the cost receivable, the foreign receivable, once you present shipping documents. at is contingent upon insurance.

Now, the first source is EDC. But, I have known instances where, e of political and economic problems, that is not possible. Do not r, there are other sources too. Your first line is to go to EDC but, er, it operates on a commercial basis. It is trying to use taxpayers' in the best way. Regrettably, that may not always mean that you can benefit



from it at the precise time that is most convenient for you. What we try to do out of our office in Toronto, is to try to fix up the deal, find the right pieces that will enable the deal to go through because, as you well know, sometimes you fall between the normal mechanisms. At least we try to put the partners together to do so.

Question: My name is Ed . . . . We design and manufacture new homes. I'd like to take this opportunity to thank the Ministry of Trade and Commerce for its excellent efforts and programs. The offices are all very, very helpful. There are a lot of smart people with very good backgrounds. A lot of our export business starts through those offices. However, we have found that it is getting very difficult to get EDC to give credit to our foreign buyers without foreign buyers' banks giving them very strong support and references. As you know, around the world, the recession is quite deep, so the biased banks are reluctant to give guarantees, and the onus is being placed on us.

Answer: As I have said, there may be ways, or sources, that can help. Feel free to call us.



EMPLOYMENT AND IMMIGRATION

MODERATOR: Harry Greenwood, President, Hamilton & District  
Labour Council

PANELISTS: David Conn, Acting Executive Director, Ontario  
Region, Canada Employment and  
Immigration Commission, Totonto

Grant Botham, Director General, Labour Market  
Development & Adjustment, CEIC  
Toronto

Tony Busseri, Manager, Canada Employment  
Commission, Hamilton

Allen Jacques, Executive Director, Labour  
Management Development, Ottawa

Thursday Morning, June 23, 1983



EMPLOYMENT AND IMMIGRATIONMODERATOR:

My name is Harry Greenwood. I am going to moderate this session this morning. With me, we have some experts in the field of Employment and Immigration.

The format will be straight-forward. The panelists will make a presentation to you, which I understand is going to take the best part of an hour, so it is rather a long presentation. Depending on how long the first panelist takes, I may, or may not, depending on the group, and how restless you are, allow some questions at that time. If it seems that you are satisfied to hear all of them without interruption, I will wait until all of them have spoken.

It's of great concern, as well as great interest to the people who are here that, in this area we do have a high rate of unemployment. As I said, although officially the recession is over, it hasn't been indicated in the trend for jobs over the last two or three days. Nevertheless, we do have an immediate concern in this area which, for some time, had unemployment running higher than the national average. However, in spite of the fact that, in my own particular constituency of labour, we do take shots at the government and the labour boards, and certainly the Department of Labour from time to time, we also recognize the horrendous task that they have in



to provide work for the unemployed. There are many programs available this morning, we will hear about those programs. It is also important to take advantage of those programs, because, as I said in my remarks yesterday, there is government money coming into this area every week amounting to millions of dollars in unemployment insurance, and yet many people are still not working. We are looking to see money coming in that will provide meaningful job creation. I hope that, today, we are going to see some meaningful job creation, and not programs where one person leaves a hole, and another person follows up and fills it in. I am not talking about that kind of economic philosophy. I am talking about meaningful job creation. I think that with those few brief remarks, I will introduce the speakers in their order of speaking.

On my immediate right is our first speaker, Allen Jacques. He is Executive Director for Labour Management Development. He is stationed in Ottawa, and, for those of you who don't see his name on the brochure, he is in the place of John Hunter. His name is spelled "Jacques."

At the center is Grant Botham. He is Director for Labour Market Development and Adjustment, and is stationed in Toronto. He will speak second.

On my immediate left is Tony Busseri, the local Manager of the Canada Employment Commission. He is probably well-known to many of you here.

Next, I am happy to say that I have met a fellow Scot, David Conn. He is the Acting Executive Director, Ontario Region, Canada Employment and Immigration. So, with those few remarks, I turn the mike over to Allen.



ALLEN JACQUES:

Thank you very much, Harry. Good morning Ladies and Gentlemen!

First, I want to express my particular thanks for having the opportunity to get out of Ottawa, and down into the real world. It is the sort of thing that people in Ottawa, in my view, don't get enough opportunities to do; although I know that our regional people, David Conn, Grant Botham, and Tony, are certainly a little closer to the action than I am.

I am particularly appreciative of the fact that we have been allocated so much time, and that such a great number of people have turned out to hear what we have to say .

I am not going to belabour the point, but what we want to do is provide an overview of the current employment situation in Canada. I may very well refer to some local situations as well, of interest to you in particular. And we want to describe a number of the employment programs that we have available to you. As the speaker upstairs was saying, there is great importance in working together. It is our objective to let you know what we have available, and to work very closely with business and industry, and individual workers, to ensure that the labour market functions as best as it can. Let me begin, perhaps, by describing an overview of what the Canada Employment and Immigration Commission is, on a national perspective. I'll try to be very short in this regard.

We deal with all employment matters, all unemployment insurance matters, and all immigration matters. On the employment side, we have the employment centers, of course. They number hundreds of offices across the country.



probably familiar with them. Unemployment insurance ... unfortunately, many of us are familiar with! That's where people go when they need sort of assistance, and of course, you are also familiar with immigration.

be simplistic, we have something in the order of 26 000 employees in the country. In the fiscal year, 1981-82, there was something like 1.3 million persons who were registered for employment across Canada in the employment centers.

employers listed something like 1.3 million vacancies with our employment centers. I can give you a number of other statistics, but I think the message is clear: We are dealing with a major, massive operation, dealing with thousands of employees, trying to help millions of Canadians.

would like to deal with some expectations of the Canadian labour market recently. It was interesting on Canada A.M., this morning. Canada's Minister, Marc Lalonde was interviewed. I was surprised that the things that had prepared in advance happened to correspond with some of things I was saying.

notes actually came from the Conference Board, some of their predictions, and I note that their predictions were based on things prepared after April's budget. The Conference Board expects employment in 1982 to increase by about 196 000 between the fourth quarter of '82 and the fourth quarter of '83; (that's employment levels) and a further increase



of 338 000 jobs is expected between the fourth quarter of '83 and the fourth quarter of '84. However, they point out that total employment will not return to the pre-recession levels until 1985.

Unemployment is to decline very slowly through the short and medium term. We saw unemployment down to 12.4 percent in May of 1982 nationally; it's only expected to go to 11.2 percent by late 1984.

Youth unemployment continues to decline and the youth unemployment rate is expected to be in the area of 20 percent through most of 1984.

Our work force is aging, and will, on average, continue to age.

The Canadian economy does continue to improve; industrial production is increasing, the first quarter gains for 1983 will likely be in the order of five percent by the time they get reported; and that is five percent higher than the fourth quarter of 1982. The Department of Finance expects real growth of two to three percent in 1983, and we know that housing starts are up as a result of the decline in interest rates.

Retail sales are expected to improve at last. Everyone has been waiting for a return to the real world. Retail sales reflect that, and inflation, fortunately for the moment, is continuing to decline and is expected to average 5½ percent in 1983 and 4.9 percent in 1984; provided as Finance Minister Marc Lalonde said this morning, we don't see any wage increases in the order of 11 or 12 percent.

In the Hamilton Labour market, I have to thank our local offices for providing me with this information. We have both some good news, and some bad news. The bad news is that there is some 13.1 percent unemployed in



n, at the most recent count. That is down from 16 percent in  
 of this year. Employment levels are some 22 percent lower now than  
 re in 1981. But, they are now stable, with some 245 000 unemployed  
 of 1983. Just as a reminder, there were some 253 000 who were  
 yed in the Hamilton area in May of 1982.

don't have to remind you that employment by major employers, like  
 Dofasco, International Harvester, Westinghouse, Firestone, and all  
 ers is down. But employment levels are now holding. The good news  
 recalls outnumber layoffs for the first time in a number of months.  
 y that there is significant construction under way in this area ...  
 ington Skyway and the airport construction in particular. There  
 n some rumours I hear of a hotel, but I won't get into that.

d like to provide some perspective of labour market overview  
 y. During the next few years for example, it is expected that  
 ent growth will lag output growth despite the fact that, generally  
 g, employment levels have stabilized; but rising participation rates,  
 larly for young people and women, will mean more rapid labour-force  
 over the next two years. This labour-force growth will retard the  
 ng unemployment rates. Overall the outlook calls for a rather  
 lt period over the next few years followed by a period of stable and  
 ed economic growth.

ung people today share many traditional goals of their parents.  
 e seeking some degree of security within society and stability. They  
 king forward to some practical ways of realizing their employment  
 ves. If the current employment situation continues for some time,



the potential does exist for unrest and social breakdown. There will be resultant pressures on our institutions to respond in an appropriate fashion. Technological change, with new office communications systems, obviously may facilitate alternative work-place arrangements, and productivity gains are going to be required if we are going to stay competitive. The challenge to government in that regard isn't just a challenge to government - it's a challenge to government, employers, and individuals to maintain a positive attitude towards these changes and to develop some flexible and innovative solutions.

The demographics are changing in the labour market. I mentioned women and others joining the labour force, and the technological and structural changes that are going to be affecting us - robotics, and microprocessors and all that sort of thing. This means that the pace of change is speeding up. One of the simplest examples that you have all seen is the word processor for example. Manual typewriters were around for something in the order of 55 years, before the first electrical typewriters were introduced, and they, in turn were around for 20 to 25 years before we got into word processors. It is expected that word processors may well be replaced within 15 years as speech synthesizers get introduced. So, the pace of change is definitely increasing. At the same time, applications for computers offer some promising employment opportunities, especially with computer aided design and computer aided manufacturing techniques. The Commission emphasizes that a skilled labour force is the key to recovery.



want to talk about a number of programs, this morning, that will you, as employers, business people, and individual workers to ensure those skills are available.

d like to return to some of the specific programs for which I have ability, later. Perhaps, Harry, we could now turn things over to Otham to deal, specifically, with some of the training programs and job creation initiatives.

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REENWOOD:

ank you, Allen. That wasn't long; I think your patience is still well rigid. Okay, Grant.

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OTHAM:

nk you. I know that in this room, and in other parts of the today in the Conference facilities, there are brochures that outline of the programs that the Canada Employment and Immigration Commission So, I won't try to go through, in detail, the information about ific programs. Some details may well be matters for discussion ut what I would like to do is very briefly outline, in a sense, the es of a couple of the major porgram areas that we do offer, and a brief overview of some of their features. The first program anted to touch on is the National Training Program.

egislation under which that program operates was approved by nt last year. It specifically tried to address three kinds of es. The first was to provide, through training, the kinds of skills



that are going to be required in the economy over the next several years. Secondly, it was recognized that the training could help to support industrial adjustment and response to technological change. Thirdly, and as importantly, the program was designed to try to improve the access, by adult Canadians, to employment opportunities as they emerge. The program has three main components, two of which I would like to refer to this morning.

The first component is the institutional training programs; programs of training that the Commission purchases from community colleges, other technical institutes, and indeed, from private training sources, to which adults are referred. Income support for them, while they are in training, is also available, but, because of the emphasis in this particular conference to business and industry, I won't go further with the institutional program at this time. Rather, I would like to refer in more detail to the National Industrial Training Program; the program through which the Commission enters into training contracts with individual employers, or with groups of employers. I'll speak briefly about some of the main types of training available, and the kinds of assistance that the program offers.

There are two main elements or types of training under the industrial training program: general industrial training and the critical trades training program. The first of these, general industrial training, is designed to assist employers to meet their skill needs and to provide a mechanism for retraining of their work force. It is really based on the premise that the employer has a major responsibility for meeting his or her own skill requirements, and the assistance that we are able to offer is either to provide additional incentives, or to provide for the development of training capacity within the employer's own operations.



der general industrial training, we provide assistance in relation to wages, generally based on 50 percent of the wages, for training up to 52 weeks; so for training programs up to one year in length, assist in 50 percent of trainee wages up to a maximum per week, which is \$250. In addition, we provide assistance for non-wage direct costs, principally instructor costs, teaching aids, trainee travel, and of thing.

Within the program, we offer additional incentives to the main incentive percent, where employers train women in occupations that traditionally men male occupations; and we also provide special incentives for what we call "special-needs" clients, people who have major barriers to employment that are related to social, to physical, to other impairments. The program is designed both to train people who are presently unemployed and who are hired and trained by employers, and equally people who are already members of the employer's work-force. Within the training for the employer's work-force, we are giving particular attention, at the moment, to training of workers who are threatened with layoff, either because of industrial change, or because of technological change to training in occupations which have been identified as either, currently or likely in the future, to be in serious shortage because of growth in employment or a drop in the stock of people who are being trained. These occupations are being referred to, commonly, as occupations of national importance, or critical occupations." I won't dwell on that at the moment, but it might be something that we can explore later.



As well, we are emphasizing, within the training of employed workers, the training of women who are being trained in traditionally male occupations. Under the Act that was passed last year, there is provision, and this is something that is new, for training of workers through industrial training, for training that takes place outside of Canada. Up until last year, the training that we offered was that training that could take place in Canada only. This feature is designed principally to permit the development of a capacity, in Canada, in occupational skills that are being brought into Canada from other countries, where new technologies are being developed outside Canada where production processes are making use of them, and where, at the moment, there is no available training in Canada. Our intention here is to provide an opportunity, first for Canadian workers to gain those skills, and therefore gain the kind of employment that the new technologies will permit, but, in the longer term, our objective is to have that training capable of being provided in Canada, either through the employer, directly, or through a public training or a private training institution.

The second part of the industrial training program is what is called critical trade-skill training. Here, what we are looking at, is an increase in the numbers of workers with specific skills which are expected to be in rather short supply. The training, again, is provided principally through training contracts with employers. It offers training support over a longer period of time than our general program does. It provides support for up to two years. Again, normally at a rate of 50 percent of the trainee wages; again with special incentives that can be available for the training of women in nontraditional occupations, or the training of special-needs clients.



during the current period, the current recession period, many of the training programs which were begun under this aspect of our program in the 70's have run into difficulties, because, through production layoffs, trainees have been released on temporary layoff or on longer layoff. In order to compensate for this, and I know there are examples in the Hamilton area, we have tried to encourage, through a simulated work-training arrangement, either with an employer, or with a community college, to retain training for the people who have been affected, so that the skills won't be lost, and so that the people won't be lost to the occupation. I think the kind of ability or desire to use programs flexibly is something that the Hamilton training program has tried to address and it is clearly one of the challenges that will continue to face us over the next several years.

In terms of the impact of industrial training in this area, let us look at a couple of indicators. In the most recent fiscal year, the one from April 1, 1982 to March 31, 1983, under the general industrial training program, there were 261 contracts entered into in the Hamilton area with employers involving almost 350 trainees. Within the critical trade-skill training activities, again, industrial training, 181 contracts, 265 trainees.

The program has touched a number of employers in this area. I think there is a hope, within critical trade-skill training, for expanding that kind of activity. This is an area of activity, I think, that we would like to see expanded over the next several years. Within your own area, you have an arrangement to respond to the training of highly skilled people in growing occupations. This is through the Hamilton Industrial Training Advisory Committee, the HITAC operations.



A second element of the training program that is perhaps noteworthy, and one that has not yet been used significantly by employers, is the possibility of creating training capacity among employers, through what is known as the Skills Growth Fund. The Skills Growth Fund is simply a sum of money that has been set aside to assist in the capital costs of either creating training capacity, or expanding it, in occupations which, based on present supply of trainees, at least, will be insufficient to meet our future needs in the occupations that have been designated as potentially in short supply. The assistance amounts to roughly \$40 000 per training place, plus assistance for program development and for initial operating costs. Up until now, in Ontario, there has been one project approved that touches on seven firms in the HITAC sector around Ottawa; but there are other projects, currently under consideration which, if approved, will permit industry directly to establish and operate training facilities.

By way of introduction, then, I think these are some of the aspects of the training program which should be of particular interest to this group, and to which, perhaps, we should return later. The second area that I wanted to touch on is employment development, job creation; particularly job-creation activities that relate to private-sector activity. There are two elements, again, that I think should be identified for the purpose of this morning's discussion.

One, the COED, the Canada Ontario Employment Development program, and secondly, the use of Unemployment Insurance benefits for job creation. The objectives of public policy in this area, I think, are to use funding to try to compensate or try to provide countercyclical employment stimulation. With respect to these program objectives, in relation to the private sector,



attention is to use the funds productively to maintain a work-force, keep it, during periods of recession, from dispersing, and also, in the process, to try to reinforce job skills and, to the extent possible, to help them. All of this in order to provide a better basis for economic recovery.

The programs that we have provided during the last year have really addressed two groups. Under the COED program, to provide employment for those who have exhausted their unemployment insurance benefits, or who are receiving public assistance and, secondly, to provide funds so that people who are drawing unemployment insurance benefits can retain or can regain them with some assistance from the public funds of unemployment insurance; and contributions by the project sponsors. Private sector projects have tended to focus on three kinds of things.

One is plant maintenance, upgrading, modernization; secondly, to develop at the point of production, new facilities that employers feel will be needed as recovery begins; and finally and equally important, with the third, two, I think, energy conservation, pollution, abatement, occupation health and safety-directed projects.

Normally, under both the COED program and the Unemployment Insurance Act creation activities, the employment that is undertaken through private sector projects must be, in addition to what would have taken place, what was planned for the period. The projects must have a minimum size of at least three workers. They ought to be for a minimum of 12 weeks; but the actual length has been rather longer than that, usually in the order of 25 weeks. The projects cannot be approved if they are to displace existing work-force and, in both the COED program and the Unemployment Insurance Act job creation activities, projects from the private sector are



to be developed in consultation with organized labour, with the affected unions. Approval of the union is one of the preconditions for project approval. Basically, under the COED program, which is operated in Ontario as a joint federal-provincial program, funding assistance can be up to \$400 per work-week. That assistance can apply both to wages and to other project costs. Wages have to be at least equal to minimum wage rates, and not exceed prevailing wage rates for the job parts of the project.

Within the private sector, the project sponsors are expected to contribute at least 50 percent of the project cost. Under the unemployment insurance creation activities, the workers who are employed receive up to \$240 per week in U.I. benefits. Sponsors can supplement those contributions to wages up to the going rate for the occupation in the labour market in which the projects take place. The workers who are employed in the projects use up their unemployment insurance benefits during the time that they are project members. Those who exhaust their benefits during the project period, up to six weeks in further benefits is permitted before the benefit period is terminated. The projects in both of the activities have a maximum of 52 weeks and, again in the Hamilton area, under the COED program, to give you some idea of the extent to which the program has been taken advantage of in the private sector, projects approved in this area, thus far, have involved some 400 jobs; a contribution, in the current fiscal year, from the federal and provincial governments, of about \$2.2 million. In addition, there are pending approval, projects involving almost 500 jobs, with a contribution of about \$1.7 million from the province of Ontario and the federal government. Under the U.I. job



on activities, not as much involvement, so far, by the private sector. Improved project involves five jobs and about \$100 000 in assistance from government. There are also two major projects pending to which very little reference was made a moment ago; two projects involving, potentially, 100 jobs, and a federal contribution of some \$1.8 million.

Briefly, then, these are two of the areas of programming which have potential for the employer community and for the worker community. I think I wish to come back to them in more detail, but for the present, that should give you some idea of the potential they do offer. Thank you.

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GREENWOOD:

Well, that certainly invokes some questions; but again, if your patience is exhausted, I'll move along to the next speaker, who is Tony ... Tony Busseri, local manager of Canada Employment.

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BUSSERI:

Good morning. I am pleased, as the local manager of the Canada Employment Centers in Hamilton, to welcome you this morning, and to have the opportunity to give you a very brief overview of some of our activities. Activities that primarily impact on your delivery service mechanisms and your business.

A very quick profile of our services in this community: We operate a main office of Canada Employment and Immigration in downtown Hamilton. We also have four branch offices that service Burlington, Stoney Creek, one in Hamilton Mountain and one in the East End of Hamilton. All those offices



are there to provide a service, not only to client workers, but also to yourselves. Our primary purpose for being in this community is twofold. One, to offer an employment service to clients who are looking for work and to employers who are looking for the corresponding worker to fill a vacancy. Everything else we do, on the employment side of our business, complements that placement activity.

Many of the things that these gentlemen have been speaking about are really complementary to our primary goal on the employment side of our business; and that's to get people jobs!

I think the exciting part of that, from my perspective as manager of the Canada Employment Centers in this community, is that the government has made available a wealth of programs that now will help you help yourselves in retraining people; in meeting tomorrow's technology changes that are occurring now, and which are going to have to face up to, not only today, but more importantly, tomorrow, in helping to get the local economy back on its feet, back in a more positive and progressive way. From the Canada Employment Center perspective in this community, that is our key target.

Now, on the other side of the fence, when people are out of work, when your workers are unemployed, we are there also to help them from an income maintenance perspective. That is Unemployment Insurance benefits. In this community, last year, we paid out over \$170 million in U.I. benefits. That is a lot of money. However, I would not want people to reflect that as necessarily being all negative in the sense that it is too bad that we had to spend those kinds of monies when they could have been diverted elsewhere.



of those monies help to keep the economy going in this community; a lot of those monies were used to retrain people. In fact, in Metro Hamilton, we have retrained over 5 000 people. That's a lot of people when you think of our force of about 270 000, 280 000 people. So, there are some positives in those figures, as well, not just negatives.

I want to emphasize to you the fact that we recognize, as local administrators in this community, under the mandate of employment and training, that our job is to service the people that come into our offices. Our job is to respond to your needs, to help you identify and work on them. We have all kinds of services, some of which have been mentioned to you today, that will help you do your job. We offer a retraining service in a variety of ways of funding. We offer human-resource planning that will help you, not only identify today's needs, but tomorrow's needs down the road; and we complement that planning with some of the retraining programs we have discussed about.

We have specialists in each of our five offices in Metro Hamilton that can work with you. They will spend the time to help you meet your needs. We are there for that reason. We realize that we are there for that reason; you have my assurance, being responsible for the operations that take place in Metro Hamilton, that we will provide that kind of service to you if you will take the opportunity to use our services. I see some faces here that are familiar to me, so I know that some of the services have been discussed in the past.

We have some tools that help us deliver these services as well. One of them that impacts on you directly, is what we call the "Metropolitan information processing system." It is a computer system that is tied in to all



our Canada Employment Centers in Hamilton. When you, as an employer, 'phone in to one of our centers and place an order with one of our counsellors, that information, in a matter of hours, is made available to every one of our centers in Metro Hamilton. What that does, virtually, is allow us to look at our pool of client resources. We have registered, now, almost 40 000 workers. We have skills we have never had in our files before. When you call us, and you say that you want a certain kind of worker, the counsellor not only looks or searches his own files of registered workers, but has a file of workers available to pull on right across Metro Hamilton.

We can also display the order, if you so wish, in our job information center so, when people walk in our front door looking for work, we can make your order available not only to a population in Burlington of say, 150 000 people, but we can make it available to 500 000 people. There is a tremendous potential there in the way of helping you meet your needs. The Metropolitan order processing system which, by the way, was introduced originally, in Metro Hamilton about seven or eight years ago, is going across the country in most of our centers. It has been extremely successful. It has allowed us to do our job much more effectively.

Most of the orders that are placed with us are placed and filled within 48 hours; a good percent of them in that category. I think that's a pretty good record, when you look at the challenge we have of servicing the public.

I guess my message is one of recognizing we are in a changing work world. We have a tremendous challenge ahead of us. As a local government representative, I will do my best to help you meet your needs.



over 300 employees in our offices in Metro Hamilton. They are there to service you, to look after your needs. We also have two campus operations - one at McMaster University, one at Mohawk College, again for recruitment purposes. If you wish to use their services, they are there to help you.

We also have started to run employer seminars in our local Canada Employment Centers in Hamilton. We will be having more of those in the future to which you are invited. I hope you will take advantage of those seminars, because, again, they can deal with your local issues at that point. So that's about all I have to say. I'll be happy, as we move along, to answer questions you may have about what we are here for, and what we can do to help you. Thank you.

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GREENWOOD:

Thank you, Tony. Last is David Conn, who is the acting Executive Director, Ontario Region, CEIC. I am sure when you hear his accent, you will agree with me that he should get the job.

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CONN:

Thank you very much, Harry. Perhaps I should explain why I am the acting Executive Director. The current Executive Director is David Morley. He is on leave on the Eastern Seaboard. He is going to be back on Monday. I would have liked to have been here today, I know, because he takes a great interest in community relations ... talking to the business community. I can assure you that one of the first things I'll have to do on Monday is give you a full report of the Conference and what happened at it.



My actual job is Director General on the Immigration side, so I hope my remarks will be a little bit of a break from the employment side just for a few minutes. We get a new Immigration Act, roughly every 25 years. It's a very sensitive subject, and maybe that's one of the reasons we only get a new Act every 25 years.

The current Act came into force in 1978. A little bit of trivia: it is really called the Immigration Act, 1976. That is because it was tabled in the House by Bud Cullen, in November 1976; but really is the '78 Act.

That Act is an important one because, for the first time ever, it sets out the objectives of Canada's Immigration policy. For the first time in the Act, it mentions "refugees," although Canada has long been a haven for refugees. One in every ten immigrants since World War II has been a refugee. However, it's in the 1978 Act, that we get a mention of refugees for the first time.

The prime objective of the Immigration Act, as far as we are concerned today, is to force the development of a strong and viable economy. The immigrant selection system is actually structured to give advantage to applicants with skills and talents required by the Canadian labour market. Now, I want to assure you of the protections that are in the Act to prevent us bringing people to Canada who are going to take away jobs from Canadians. Sure, we finally have reunification, which is a cornerstone of the Act, but one thing we also do have, and we have had this since 1976, (in the regulation you will note) is that it's easier to change regulations than it is the Act. We have the point system, as it is known; whereby every immigrant who



to come to Canada, has to be assessed according to a number of criteria. I'll mention to you very briefly what they are, just so you see some of the protections that there are:

Education, vocational preparation, experience, the occupational demand for the occupation, whether there is arranged employment or not, the location, the age of the person, the language skills of the person and the suitability of the person. If there is a relative shortage in Canada can be another factor.

Points go for all of these factors and the immigrant has to score a certain number of points or more. When the economy gets tight and the jobs are tough to come by for Canadians and permanent residents, that is where the point system comes into play. That is where the controls can really be exerted through the occupational demand factor. The points can be reduced right down to a minimum.

As far as entrepreneurs are concerned, we are keen to attract entrepreneurs to Canada with the skills and the capital to create employment for Canadians. Let me tell you what has happened from January, 1981, for example, to June, 1982. In that period a total of 4 440 businessmen came to Canada under the entrepreneurial aspect of the immigration program. They brought with them \$1.25 billion of capital, and they created, in that period, 7 358 jobs. I'll give you a few examples of the kinds of entrepreneurs who have come to Canada, and what they have done. There is one who is called Luka. He is the president of S. L. Building Services and Technology. He introduced this new technology into Canada on the concrete construction of industry, a new method to repair and restore concrete. He also started a program to train workers in his plant. There are seven people employed there now, and the training program that is in place is going to



allow a further expansion to 15 workers. Now, in my estimation, that was a good deal for Canada, bringing Mr. S. Luka.

I have another example here, Mr. Lavin, the president of the Canadian Telecommunications group. He immigrated from the U.S. three years ago. Since then sales have jumped \$60 million a year! Another success story

We have another one, Henry Azema, on the electronics side. He set up an electronics plant in Rexdale in 1979, and now he has sales of over \$3 million; and is exporting to the United States from where he came.

Our program for selecting entrepreneurs is aimed at facilitating those people to come to Canada who can create employment, but weed out the undesirables who may have money, but would like, in effect, to buy their way into Canada. Well, let me assure, it's just not possible for anyone to buy their way into Canada. I think the idea of buying your way into Canada just because you have money would be repugnant to 99.9 percent of Canadians; so one of the delicate things we have to do, is we have to try to prevent the abuse of the system and ensure admission of bona fide entrepreneurs.

Let me give you one or two statistics. Forty percent of the entrepreneurs who come to Canada come to Ontario, and 33 percent of the self-employed come to Ontario. For purposes of our definition, an entrepreneur creates five or more employment opportunities. A self-employed person creates one or more opportunities, but less than five.



one of the other problems that we face in recruiting entrepreneurs  
 the competition that we face from other countries who would also like to  
 the entrepreneurial skills and talents. Here I should say something to  
 that, if you read in the papers, for example, that the average immigration  
 Canada over a period was 125 000, you can immediately relax, because, on  
 average, 70 000 to 75 000 Canadians leave Canada in the same period;  
 net gain is only seventy to seventy-five thousand people a year.  
 result of this sort of competition to attract entrepreneurs, the Minister  
 the Department are currently examining ways of actually making it  
 , of cutting out some of the red tape, perhaps relaxing the criteria  
 le. I obviously can't say too much about it today, but just let me  
 you what the present system is. At present, entrepreneurial applications  
 submitted abroad. If the entrepreneur has not really decided on the  
 ce that he would like to go to, the visa officer in the foreign  
 seeks the assistance of the Department of Regional and Industrial  
 ion. The visa office at that time may suggest an exploratory visit to  
 , "Why don't you go over, have a look and see what the business  
 unities are like?". That enables the entrepreneur to meet the provincial  
 ment, to meet other federal departments, to assess what the labour  
 is in the particular area, to have discussions, to meet relevant  
 ss organizations and other businessmen, and to assess just what are  
 opportunities for the success of the business he has in mind.  
 hen, in addition to the usual immigration forms, bear in mind that  
 trepreneur has to go through the same medicals, security and back-  
 checks that I had to, and also Harry, before he came here. Every  
 ant goes through that. But he also submits a proposal. He submits a  
 ulum vitae. He submits details of the business proposal, a statement



of his assets, a cash flow, and all this is assessed very carefully before the decision is approved. There are also federal-provincial discussions to assess the viability of the proposal. Now, if the proposal of destination happens to be Ontario, the visa officer refers the proposal to the Ontario Ministry of Industry & Trade. We have a very good working relationship in Toronto with the selective placement services, Mr. Carrick, of the Provincial Government. The Ministry may also seek advice from other experts and from other Federal and Provincial Departments. Now, once the province's input is received, the visa officer then determines if the applicant meets the requirements for immigration to Canada.

We have, very recently, launched new programs to train visa officers abroad. We had them go through the Ontario region and visit all over the country. We've actually conducted a very intensive training program for them on how to assess business applications. We are hoping all of these things are going to encourage entrepreneurs to come to Canada. I'll lay one more statistic on you before I go, just to tell you that the entrepreneur represents about one percent of the flow. But that one percent of the flow brings about fifty percent of the money that all immigrants bring with them. So it is a source of job creation and it is a source of capital infusion. Harry, I'm going to close off at this point. Thank you.

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HARRY GREENWOOD:

Thank you, David. Allen Jaques has three or four minutes to wind up what the panelists have stated here. But in spite of the rule you should never let an audience go once you have them, I think that once Allen does



up, we'll have a three or four minute coffee break and come back as  
as possible. Please, do come back. Allen ...

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JACQUES:

Thanks very much, Harry. I wanted to cover three other initiatives  
programs. Generally speaking, I want to cover the Work-Sharing Program  
some of you have heard about and some of you may well have participated  
ut about which others may not be aware. I also want to talk about  
uman Resource Planning Philosophy Strategy and also a specific program,  
anpower Consultative Service and Adjustment Program; a program that  
management and labour to work together. After that, we can  
up and have coffee, come back and all be available to answer questions.  
gin with Work Sharing: Work Sharing is authorized under Section 37 of  
employment Insurance Act, and what it is is a voluntary program to  
avoid lay-offs, to try to avert lay-offs, where workers are paid for  
me that they work. They are paid wages by the employer for the time  
they work and Unemployment Insurance pays for the time that they do  
ork. The typical scenerio we hear about talks about the firm that is  
red to reduce its labour force or hours worked by twenty percent. And  
Sharing provides the opportunity to reduce the hours worked by the  
y percent without laying people off, and that is, for example, rather  
laying twenty percent of the staff off, we keep one hundred percent of  
staff there, and have them work eighty percent of their hours for a  
d of time. The program is voluntary. It required a joint application  
both the employer and the workers' representative. It requires a  
m reduction of twenty percent and not more than sixty percent reduction  
e employer must retain forty percent of the normal hours of work, and  
is also a duration of projects of a minimum of six weeks project



duration to a maximum of 26 weeks under the temporary lay-off situations. There is also no draw down on unemployment insurance benefits, that is as the more senior workers who would not have been threatened with lay-off volunteer to share the work with the more junior workers as an incentive to encourage that there is no draw down on regular U.I. benefits while people are on work sharing. So, the firm is able to reduce output by reducing hours rather than laying people off. It is also flexible. You don't have to go from a five-day week to a four-day week, there are other arrangements available in terms of working shorter hours. The plant can still be open five days a week, but have fewer people in the plant each day, this sort of thing. There are a number of flexible arrangements. Activities levels in 1982 across the country saw almost 9 000 agreements involving 202 000 workers to avoid 87 000 lay-offs, and we spent \$83 million. In 1983, so far, we've had over 51 000 new agreements entered into involving almost 66 000 workers to avoid up to 24 000 lay-offs and we spent \$61 million so far this year. The program has had two major new initiatives added to it. It was originally scheduled to terminate on May 7 of this year. It was a temporary measure introduced in the winter of '81 - '82. But the demand for the program really put the government in the position where they couldn't just pack it in at the end of May so it was extended for one year to the end of May, 1984, in terms of dates for applications. There are also two new elements being added. Rather than having everyone who is unemployed one day a week or whatever it is, simply sitting at home or whatever they do on those days off, there's now a linkage with training being developed to encourage people to undertake training while they are on work sharing. Secondly, there's a feature to help assist in adaptation to technological change and structural adjustment as firms have a requirement to reduce the work permanently, work sharing can



up to 50 weeks of time to seek other jobs. People may retrain for skills that become available and affect the work force reduction and efforts while on work sharing, and hopefully avoid lay-offs altogether.

want to deal with Human Resource Planning. Generally, Tony made or made reference to it at CEC level. The scope of Human Resource Planning is immense and it can range from the small firms expanding their efforts to entire industrial sectors preparing for a number of years ahead. I want to describe the obvious things that I'm sure most of you are aware of in terms of what is Human Resource Planning. And that's looking at the demand for personnel by their occupations and that sort of thing. These are the obvious things. The available supply of people to meet needs, to identify gaps between demand and supply. The thing that isn't so obvious about Human Resource Planning and the make or break part of it as I'm concerned is the implementation side. What is the result of this? You have to do the planning but you also have to implement the plan and develop adjustment policies so that your personnel and training programs and strategies that the company will undertake to eliminate or reduce gaps between demand and supply are absolutely crucial. That's the part that's made or broken. Government services or programs can then be used to complement the private initiatives. Unfortunately too few firms take Human Resource Planning seriously. There've been a couple of policy initiatives taken by the Federal Government to encourage Human Resource Planning. Indeed, Human Resource Development Strategies on the part of the Government must be based on sound and wide-spread private Human Resource Planning practices. We want to work with Canadian employers so that they have the qualified work force they need to implement their investment and business plans so that the economic recovery can be accelerated. We want to ensure that Canadian men and women have first opportunity and access



to emerging job opportunities. The changes in labour demand resulting from the need for new skills and industrial restructuring. We want to ensure that those changes are managed with a minimum of disruption for the workers, and for the companies. We also want to ensure that reliable, timely information is available to our apprenticeship, educational and training systems on the need for skills which are crucial for Canada's economic growth. So our various institutions can supply the skilled people required at the right time. We also want to ensure that the Federal Government programs enhance the economic and Human Resource Development and job creation and that they are applied in very efficient and effective ways. And in order to do that, you've got to plan for it. Now that the recession has bottomed out, and I like to be optimistic enough to think that is has, the recovery phase is on its way, and the Federal Government is keenly aware of the need to stimulate and sustain long-term economic growth. What we require now is an increased emphasis on better Human Resource Planning and management being the key word, I think by the private sectors, supported by appropriate Federal Development Programs, the Human Resource Development Programs, notably our new national training program. As the Conference Board of Canada has emphasized, and we certainly agree, I made reference to it earlier, the key to future organizational effectiveness will be the greater emphasis on the management of Human Resources and better strategic planning within the firm. We want to work with the private sector in this regard. We have a number of measures that are available to help us work with the private sector, to ensure that Human Resource Planning does take place. We have legislation. For example, the Human Resource Planning requirements are built into the Canada Oil and Gas Act as well as the Northern Pipeline Act, to ensure that maximum possible use is made of Canadian labour and that we don't resort unnecessarily to foreign workers. We want to ensure



voluntary Human Resource Planning agreements are encouraged. We do  
 not do anything of the kind and we have some 12 agreements with various national  
 industrial and professional sector associations. We want to work with  
 industrial adjustment programs. There are some firms in Hamilton I know  
 who have taken advantage of that program, as well as our Manpower Consultative  
 Service. One other key is Federal Business Assistance programs giving  
 financial incentive. These are now being offered conditional on Human  
 Resource Planning by recipient companies. And that planning is aided  
 by such programs as the Enterprise Development program and the  
 Development Incentive program as well as the pulp and paper modernization.  
 The Manpower Consultative Service covers Human Resource Planning, and now very briefly, we'd like to  
 touch on our Manpower Consultative Service. The Manpower Consultative  
 Service is a program that encourages labour and management to work together,  
 operates on five principles. That is, the employer and employees work  
 in common action and that government supports their private  
 initiative. The cornerstone of the MCS program and there are brochures  
 at the back, is that advance planning and lead time makes for  
 effective adjustment. The MCS program also aims to find jobs for  
 quickly by their own private initiative; management and labour  
 work together if that is the need. It's also a flexible and non-  
 bureaucratic approach. It's voluntary. It can deal with closures as well  
 as technological changes in work force, stability, and employment growth  
 problems and can provide a mechanism for dealing with labour shortages.  
 It doesn't operate when there are collective bargaining disputes underway.  
 The Manpower Consultative Services work with employers and workers  
 to sign a formal agreement and establish an adjustment committee made  
 up of equal representation of management and labour and with the appointment  
 of private parties of a non-affiliated independent chairperson. We



have a MCS officer that is made available to the committee as an ex-officio member. Another requirement of the program is that there be a report made after the committee concludes its work. Financial incentives are offered of up to 50 percent of the cost of running the committee and that includes the cost of chairpersons, fees, research that the committee undertakes to look at adjustment needs, and administration costs of secretarial help, typing and this sort of thing as well as the cost of wages lost by workers who take time to serve on the committee. If the employer doesn't cover individual workers those wages can be recovered under the work of the committee. We're going to take a break now very shortly. You business and representatives of workers have the major part to play in the employment adjustment programs. We in CIC have people in programs that are available to help you and we are most anxious to work with you and to work together. So, until we break and reconvene for questions thank you very much for putting up with us.

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HARRY GREENWOOD:

Just before we go, I will take this opportunity, finally, just to thank the panel and to say to you, that when we were setting up this Conference, which was an off-shoot of the Honorable John Munro and the McMaster secretariat, that the Minister's remarks were that he would have every bureaucrat that was available down here for two days. Now right away, that can turn off a lot of people when you start calling them bureaucrats, but I must say, I've enjoyed listening to them. They've made their presentations very easy to understand and I'm sure that it does provoke a number of questions. Again, I thank you very much for coming along. The next part of the session is yours, and we'll hear the panelists answer what you want to hear.



we'll have a break, bring your coffee and come back here if you can.

I think there are less here than we started with, but I'm sure that I find their way back in, they are still having coffee or doing what have to do on their break. The floor will be open now for questions and remarks, but I ask you that when you do rise you go to the front, because, if you look behind you, you'll see that these proceedings are going to be taped. I don't think this is anything to do with the security policies, I think it's just that they want a taping of the proceedings. Feel free to say what you have to say. Okay, we are now open for questions. Maybe it would be a good idea if you would say if you are with an organization, or if you feel you want to say that ...

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Mr. Casey, Manager of the Hamilton-Brantford Building Trades Council. I'd ask the question of employment/immigration, on the immigration question, it's my understanding that there is a home, St. Elizabeth's Home, Highway 53, and I've been informed that this home employs Vietnamese workers and the government is paying 80 cents on the dollar. Could you tell me how the government stand in that situation?

First of all, can I ask what government you are talking about?

We're talking about the Federal government.

Okay. I'm afraid I don't understand the question paying 80 cents on the dollar. Could you explain a little bit more what you mean?

Well, if you want to expand on it, it is my impression that these people have been hired by an entrepreneur, Sister Elizabeth, and if this is the same thing an entrepreneur is doing, I disagree with it, while we have a



number of unemployed Canadians right here in the city. The question is basically, is this a program implemented by the government to take in not entrepreneurs, not people who will be assisting Canada in any way, but taking in people who are putting Canadians out of work.

A. Well, if you could give me some time after the session, I'd be happy to discuss this with you, and to have it looked into. On the face of it, I'll just say right off the top, that the Federal government certainly wouldn't condone anyone being exploited by not being paid the proper for a job in question, especially to the detriment of Canadian citizens or permanent residents, but obviously I'm unaware of the situation what the home is and what it does, but if you are making a complaint about it to me, I can assure you that we'll look into it to the fullest extent possible, if it falls into our jurisdiction.

Q. I'll look forward to talking to you afterwards.

If I may, Mr. Chairman, ask a second question. Mr. Buserri, could you up-date me on the COED changes that were implemented, I believe, last week?

A. I guess the major change that we just received this last week was related to another category, and that is an unemployed worker who is still receiving unemployment insurance benefits, and if the other five or six criteria that are used in order of priority are not met, or we cannot find people in those five or six other priorities or criteria, then we can go to this new criteria which allows us to employ or refer people to the COED program who are still receiving unemployment insurance benefits. So that's a very recent change and a significant one from our perspective, and I think, Tom, on our meetings with your local unions' executive members that we had a few weeks ago, that was a point of contention and we now have that clarified



haven't had a chance to communicate that information because we received it in the last few days. I hope that will help some of the issues that we discussed with your local members.

Thanks, Tony, and I look forward to talking to you afterwards too.

OR:

Just for the benefit for those who don't understand that sort of thing, is that on the COED program, the criteria has changed. It was originally structured that the people who would benefit from this program were what is termed as exhausted. I don't necessarily like that word, but that's the word they used at the time, exhausted from the UIC.

One of the many agreements that had taken place in this community, for example, right across the country between trade unions and the employers, the seniority clause had to be involved. So it was difficult in cases like the New Hilton Hotel, for example, where there were applications being made for quiet funding that it would be UIC exhausteds that would be taking the jobs. Under collective agreement, the last ones out are the first in, and they are not usually exhausted. So now, that criteria has been changed to accommodate that, although I still understand that there are some applications under Section 38 in certain cases. Okay, the lady.

With the Hamilton Zine, Canadian Center of Occupational Health and Safety, and with the Hamilton Board of Education. There is a pool of people with skills. There has been some future resource planning by Boards of Education in trying to equip youngsters, but the future catches up with them. There are too many people competing for too few jobs. They have skills; they are University graduates in any field you can mention; they are



unemployed teachers, sociologists, lawyers, business administrators, anything you can think of; and when they hit the job market, the big problem is that they lack experience. When they apply for lesser jobs they are, of course, overqualified. Is there some program in mind which will encourage employers to hire recent graduates?

A. Is there anyone in particular, Gillian, that you want to respond?

Q. Probably Allen Jacques.

A. I will defer to Grant Botham who can get you any information on a regional situation.

Q. This is a Canada-wide situation.

A. Perhaps I can try to respond to it in terms of providing for work experience for the sorts of people you've talked about there has been an initiative. I hate to have to resort to names all the time, to program names, they tend to be more confusing than illuminating, an initiative that was called the New Technology Employment Program. Its purpose was to provide, in a very specialized group, help to deal with parts of this program and it was directed towards graduates from post-secondary programs, university and non-university to find employment with incentives to employers in research and development activities. The objective was to provide, especially to small firms, the assistance to hire, with the expectation that with a period of employment that both through the gaining of experience by the individual and by demonstration of the employer of the sort of value that this might produce longer-term employment possibilities. So, it was both skill protection and experience for the individual, and for



m a demonstration of the potential for employment development in the  
 The funds for the NTEP as it's called within the commission, have  
 mmuted for the current fiscal year. But it represents an example  
 kind of programming which I think will be expanded in the years to  
 It will, I think, also be selective, but I don't think that the  
 ion will be able to provide the kind of funding that will touch  
 d of graduates in all kinds of situations. The idea of providing  
 incentives to employers to hire people who have a good deal of  
 g but lack experience, and for whom there isn't an immediate market,  
 t will continue, perhaps expand, selectively. There is also an  
 ive which the province of Ontario has announced this week, which is  
 signed to provide a kind of stimulation or incentive for employers  
 e recent graduates. I can't tell you specifically the kinds of  
 es and the criteria that will be applied, but it is also attempting  
 ess this same problem of skilled people from programs for whom there  
 immediate job prospect.

ny Busseri has something to say.

just like to clarify ... were you referring, were you suggesting  
 if these people might be in the disabled component?  
 o, they just may have the skills. Well, I think the other aspect is that  
 e had other wage subsidy programs and we do have one that I guess  
 ld say is on hold right now, under review from a funding perspective,  
 Program for the Employment Disabled and Disadvantaged; we have had a  
 ntaged youth component to that program for people who have been  
 oyed for some time who are looking to get that work experience. And  
 rogram has been extremely successful to the point where we had to stop  
 ng it for a while because it had utilized all our funding. I am sure



that some time in the coming months there will be more information on this kind of wage subsidies to youth or to young people who need the opportunity to get some work experience, so I think there are some things we can look forward to in that perspective as well.

MODERATOR:

Thank you. I would just like to make one comment. I think you mentioned teachers being unemployed. I would just like to give you this as an example and I think this may be the start of things that may happen in the future, Grant. My wife is a teacher, and for the past year she has been on half days, and she's taking a full year off again at half pay; she's going to go back to University and I think what that enables the Board of Education to do is to hire a young teacher for the year that she's away. Now, I'm only saying that's the first one in the particular Board of Education where she's employed. So it's a sort of pilot if you like.

Q. Well, it's not a first one we've done that's in Hamilton.

A. I'm saying in the York County Board of Education.

Q. Yes. What it doesn't do really is provide jobs for new teachers, because there are fewer children. So what we have is too many people with skills looking for jobs, and not enough jobs. Engineers who graduated from university didn't get hired last year either. I can understand the employer looking for someone with experience. They're there to be hired and it is much easier to have somebody with experience and this is why I think the government has to help in a way which will get people working. It isn't a matter of living on half pay or unemployment insurance. These are people who have no income to protect. They're lucky they have parents.



OR:

think there is also another dimension to it. When the program came to the particular Board of Education, teachers were offered four years with a certain percentage offered three years, or consider spreading over two years. There wasn't a lot of demand to get into the program.

; it remains to be seen whether that program is going to grow. From one family situation, I can sympathize with the young graduates who can't find a job. My own daughter has just graduated. She's got a first class honours degree from Waterloo University. She's got two years experience under the co-operative program and there's no job for her, so what has she done? She's gone to the States looking for a job in the States. I don't think she's going to get one there either, so it's a tough situation. Yes.

work for a company that majors in repairing large transport trucks, and to direct this question to Tony Busseri. About six weeks ago, we had a new job in our parts department. I applied to the manpower office for a training program. The person we had in mind had been trained at a College in car parts. But as I say, we specialize in trucks. I was looking for a training program to re-educate her further in truck parts. She was accepted, but a week later we were turned down, because she was not suitable to the president. Would you comment on this please?

I think the best comment I can make at this point is that we should consider that on a one-to-one basis. There are certain regulations we must follow in relation to approving training programs, and obviously we have to take into account the need for the training, whether it falls into, as has been mentioned earlier by Grant, designated occupation, or occupation identified



as demand, and then, what are the relationships of the employer/employee involved? And if it's family, we have to look at that as to whether there is any compromising going on, etc. So I would suggest on that issue what I would rather do is take the details of that event, and we'll follow it up and deal with it on that basis.

Q. The offer extended from the Manpower office itself ... when you have somebody in your family out of work too.

A. I think we're back to a situation where we have rules and regulations to follow and it sounds that the regulations are getting in the way of that issue. I would suggest we deal with that on a one to one basis.

Q. My name is Burt Cruckshank; I'm with Regional Social Services and my major responsibility is trying to find employment for the unemployed persons on welfare assistance, some who have exhausted their unemployment insurance entitlement and others who have not been eligible for unemployment insurance benefits. I should say that we work very closely with Tony in this area and get excellent co-operation from his staff and all of the area offices. That's a plug for local Canada Employment and Immigration ... I shouldn't have any problem from now on getting what I want. Tony touched briefly on the PED program and we've used that program a good deal and through his local outreach program, Citizen's Action Group, have placed a number of people with local employers. We've had a number of people all set to go, employers lined up and potential employees ready to go on that program and we heard about a week ago, at least I heard about a week ago that suddenly PED was on hold and I'm just wondering if anyone, Allen, or



her members of the panel can give us any words of optimism about  
 ating that program or where it's at.

hope I can give you words of optimism. As with all things sometimes  
 ms are victims of their own success, and we had in Ontario region, for  
 D program some \$19 million in funds for this year. The program, those  
 who have used it will know, has been one that didn't immediately  
 great deal of success in terms of the take-up of the funds initially  
 ll into the fall of last year there was a very heavy marketing activity  
 part of employment centers. Beginning about the month of December  
 marketing activity began to pay off, handsomely, I suppose is one way  
 ting it, and exorbitantly is another way of putting it. Unfortunately  
 ople who were intending to use it, the \$19 million that had been made  
 ble for this fiscal year was all committed by the middle of May and  
 means that a number of employers who were discussing the potential  
 D in the region, unfortunately, had to be told that for the moment  
 't have any additional funds available. But, because it has been  
 sful, I think there is good reason to hope that funds can be made  
 ble so that we can resume it, either by making funds available from  
 activities, or, and this I think is more remote, the government  
 ng to make additional funds available from other sources. I think  
 mmission like many governments at the moment face a situation where  
 y wish to do more of one thing they are going to have to do less of  
 r. But I hope that in Ontario and in other regions where the program  
 d a great deal of success that we'll be able to re-institute it,  
 exactly as it was before, or perhaps in a modified form, but to  
 the same kinds of objectives, within the next couple of months.



Q. Thanks very much. I understand there is a move to consolidate and condense a number of programs into fewer programs that may hopefully accomplish basically the same thing.

A. That's so, and that is one of the things we'll be looking at over the summer, but not to lose the potential for that sort of objective.

Q. The young lady that asked about the recent graduates, is there a program underfoot for subsidization for an employer to hire a graduate who is not in the field in which he's looking for employment? For example, a sociology major who cannot get work in that chosen field is being hired by another firm. That firm, of course, would spend money to train that person in a different area, and with the possibility that when that field does open up in sociology, they'll leave, so that the loss factor would be let's say reduced by subsidization by the government.

A. At present, the only thing that would be available, and it doesn't really need to be exactly what you have stated, but the kind of assistance that would be available that comes to my mind is the Industrial Training Program where someone who had received training in one field for whom there was no immediate outlet could be retrained through the Industrial Training Program, not so much in order to provide a tiding over until opportunities arose in their original field. I think we would want to apply that program for a more permanent kind of occupational change. No, there is no program that I can think of that has that explicit objective. Most of things we have been talking about, that we either have available or are moving towards, would be to try to provide incentive to employers to hire a person to give them work experience in the area in which they have been trained with a view to more permanent employment not so much as to give them a broadening of experience, that when the opportunity arose in the



nal area that they could move up.

Grant, I wonder if I could just add that it seems to me that our Minister, worthy, is aware of the problem in some of the statements that he has and with the consolidation of programs that I think Burt referred to. will be, I understand, some announcements made early this fall on of the direct job creation that may result from some of this consolidation. nk he has indicated that there will be something for young people, me of the funding that will be made available. So, I don't know that will look like, but certainly we can look forward to something h. I think what is important to our community is that we now ve that there is nothing we can do about the problem. I think there nething we can do, whether using the National Training Program or wage-subsidy programs. I think there are things we can do through rocess of utilization of various programs that are either available ll be available down the road, and think there's something to look rd to in the fall around some of the announcements that will be coming.

n other words, there is not such a thing at the present time for that of a program?

at specific sort of thing, no.

ecause I was referring to the young woman that made that comment, se we do have people coming into our company looking for employment, f course, the obvious question is you're overqualified, or you're ualified. And you get the person who is overqualified, an unemployed er, a recent graduate from university, a person that you say if I



take him on staff, it is going to take the company X number of dollars to train him into our industry; then you say if I put that much money out, what's to stop this person, when that industry opens up that they are educated for, leaving? So you want something as a cushion against that. Although your chances of keeping this person might be to your advantage down the road. Because you are in a particular type of business where there isn't that many people available to do that type of work you are looking at a constant training program. And yet, here is an educated person who says "I need work." They are on unemployment, or whatever the case may be, and yet we are working on the areas of the people who are collecting unemployment insurance and yet for the person who is well-educated, and we keep pumping them through the system and the schools to teach them to be better educated persons and yet when they come out they say what did I spend four years at university for? Then they go to get a job in a firm. The employers say, "Wait a minute. You are overqualified." or "This is not your chosen field." Where the employer is liable to say, "Look, I'll take a chance on that young person that's come out of university who has no training in my industry if there is a support system," because if you are in the private sector you will find it costs a lot of money to bring a new employee into a company, to train them, to pay them, and so forth, and then to have all that money go down the drain and start all over again the following year; if you have a chance to do something with that type of a person, with some type of a subsidy, which would give it a cushion, you could take a flyer, and there is a lot of small companies that would take flyers on these young people, in the off-chance that maybe they might be able to employ them down the road. They might stay with that company



into the district and do a lot of good, and change their profession. We met many people through our lives that became engineers, then after worked at Firestone for two years they quit, and went back to school became lawyers. It is not an unusual situation. But a large corporation, as International Harvester, or Firestone, can afford that type of expense. Smaller companies would have a difficult time expending that amount of money on the chance that that person would and might stay with them. The only reason I'm asking is that there should be something done because our enrollment in our universities is increasing. Students coming out are increasing every year, and yet we don't have jobs for all those wonderfully educated young people. And they are saying "I think I'll go to the States for two years, Dad, and see if I can get a job." That's stupid. We've educated a young lady, sent her across the border. She could probably employ her in another industry because the manufacturer of the company will say "Look, we will use that person, we'll take a chance on her, there is a government support mechanism." Yet, we sent her across the border.

Yes, I think the Industrial Training Program can ... perhaps we are putting too much emphasis on the short nature situation and perhaps I took too much out of that from your question than you intended. Because it's true, a person may be looking at first employment not in their field as a result of finding that it is of short run of second-best. I think that may very well not be their experience once they get the employment, and as with people here, I daresay you have personal knowledge of people who are entering the labour market or who are trying the labour market and from whom it is very difficult right now. Often, I guess they are considering



that their own expectations have been bashed by the situation and yet for many of them, I think ten years from now, they may not see their same occupational goal. The experience may very well start out to be short-term in nature and be very long-term. And, so I think we shouldn't emphasize, overemphasize the career change that people make. Many people have made career changes at the outset of their career, many have made them over the whole history of their careers, and that is not always a negative thing.

I think we are looking for the kind of program that gets our economists and sends them to Japan.

Q. I agree with this gentleman. What I was going to say is, are there any computer training programs available for the university graduates who can't find work in their field? I know there was one, but it filled up so quickly; there are so many students that are willing to go into this program where there aren't any more computer training programs, or so I understand with the employment office.

A. Sheridan College has been offering some training in the computer field. We, in Hamilton, have been looking at it as well with Mohawk College and have made a proposal to our regional officials if and when funding is available. And I believe also Mohawk College has made a separate submission under Skill Growth Fund for a center, a training center, specifically, to deal with the whole technology issue of the computer micro/macro computer issues. So, I think down the road we will see a substantial amount of opportunities in that area.

Q. You don't know how long this will take?



I would hope, I certainly would hope from the stand point of what we offer in Hamilton that we will see something within the next 12 months. you know it all relates back to dollars that are available.

but this is so important, you'd think you'd hurry up because it is of the most important items, really.

We certainly have identified the need, and we have made a proposal through our regional officials who dialogue with the province on the e. So it is under review, and hopefully, we will be seeing something in that area.

There is another question on the COED program. When you put in an application to your business, if you need a plumber or electrician, or a carpenter, or whatever, they say to go to the employment office, and this is where you pay your four hundred a week, is it? In addition, you don't go to a carpenter or a plumber, you go for a contractor in that business e. You can't tell a plumber ..., you can't stand by him and tell him what is needed to be done. Now, how does that work? You have to hire a contractor first in order for the contractor to hire a carpenter or plumber, or whatever. How would that work? The contractor would get the four hundred dollars per person for this, or how many contractors do you have to hire and who pays the contractor? Do you understand what I'm asking?

ATOR:

I will attempt to answer that just from my own experience. I happen to be on the McMaster advisory committee which is a committee in this community that was set up to review the applications for the COED grants, and it



just doesn't work that way. The whole purpose of this is to create jobs. For example, just about every Catholic Church in Hamilton, they are going to be beautiful, it is going to be a city of beautiful Catholic Churches, have made applications for COED grants. They've designated the type of workers they require, an electrician, a labourer, a carpenter, or whatever, and these people are assigned by the Unemployment Insurance Office because they have exhausted their benefits. That was a criteria up until the change. But a contractor is working, and unless he is going to do something in his own particular industry, I don't think that we would look at that grant at all.

Q. What I'm talking about is a business if you are putting an expansion on and you don't have the money to put the expansion on, you know.

A. That's who has been benefitting from the program, but it's usually been the business as stating exactly what they want just as if they were an individual putting in an extension, and making an application for workers to do that work for you through the Unemployment Insurance Office, and they would send out exhaustees who qualify for that type of work.

Q. Then you can't hire a contractor in that way?

A. Well, if you were sub-contracting on a project we would still be dealing with the sponsor, who, if that were a business organization and any sub-contracting that took place would only be accepted if the kinds of workers whom the sub-contractor employed met the same criteria.

Q. They would have to hire more employees.



they would have to hire people for that job who also met the criteria they were former Unemployment Insurance beneficiaries who had used up benefits or were people on welfare or more recently, where the skills can't be met from those kinds of people, they could be people who are employed.

which in that way, it should, if you hire a contractor, should cut the price, like rather than his giving you one price, if you can hire these people from the Unemployment Insurance and receive the \$400 a week, then you could cut the price down to a quarter.

Well, I don't think that necessarily follows because the criteria of the program are, that people will receive at least minimum wage, and presumably above the going wage for the skills that they have. So, whether the contractor or sub-contractor would do the work for less than normal price, is an open question. I am not even sure in all cases it would be the best thing to do.

ATOR:

Just supplemental to that, the program is designed to put people to

It's not designed to create any profits for the contractor. For example, if you were making an application to put an extension on your business, you would indicate the amount of materials and supplies that are required in order to do that and how much you are prepared to put up yourself. Most of the people who are applying for a COED grant are in the habit of putting up as much as one-third of the money before they are granted.



Q. In addition to that question, can you hire a general supervisor who is presently working for you and doesn't have any work to do to supervise the project like an expansion, but still use the unskilled labour in the other aspect? Or the unemployed labour?

A. I wouldn't even touch that one. On the advisory group, we have many people with many opinions and the reason we have a committee is because we spend all our time trying to establish just that kind of rule, so I wouldn't give you a definite answer on that one.

I think, if I may try it, perhaps it's a question of fools rushing in, but in a project like that, a company may use people who are presently employed by them as part of the project but not as part of the eligible project cost, so that could be in fact something that a company might wish to do. But if that person were presently an employee of the firm that wouldn't be part of the project as far as we were concerned.

Q. Our personnel don't have the skill to put up this expansion, so we need somebody who knows what they are doing to regulate and put these workers to work and build the thing properly.

A. Grant, if I can just add to that. There is a provision I think for other costs where that kind of issue if it were identified as part of the proposal and a requirement for the project to go ahead there is a provision for that to be built in.

It is a sponsor contribution.

Yes, but there is a provision for that to be part of the process, and I'm just not sure to what degree besides what the sponsor inputs we can grant funds. Jackie, do you ...?



Well, what Mr. Baldwin is suggesting is one way. The other way is if all the 400 is not required for the wages of the project participants the sub-contractor or the supervisor or foreman could be hired out the other cost money, and he doesn't need to meet any of the eligibility requirements of the participants on the project.

I think that's where we've had many discussions in the past under all circumstances where ... obviously we wouldn't want to see the project not go ahead because of that issue, if in fact it could be arranged the need was clearly identified. So, there are provisions for that. Just the point of to what degree to we look at that.

I have a question, I think, possibly to Mr. Botham. I was wondering if in a situation where there is a large number of employees that are laid off by one firm or another in Hamilton, and the job prospects for them are poor, is any attempt by yourselves, in co-operation with organized labour, to encourage, or provide programs to re-educate workers, either to keep them some time productively while they are laid off, or to help them to find some sort of new source for employment for when they have been retrained?

Indeed, I made reference very briefly when I was speaking about some problems that occur within the Industrial Training program, particularly in the critical Trade Skill training where people are in a three or four year program after an apprenticeship one where part-way through, the employer, because of lack of work lays off the person who is being trained. There are around here, in this area, some programs that have been put together to fund and maintain the training for those individuals until work improves so they can be hired back. So, that's one approach. A second approach



is that where an employer is laying off a large part of his or her work force we can enter into an arrangement to use that time for training the people while they are receiving Unemployment Insurance benefits often with the company providing the direct training. We will provide income support. Under certain circumstances we can also provide additional income and where the person through company training is being retrained in a way that will make him more productive for the firm when the firm comes back up, or could be retrained into another kind of an occupation where prospects are better and the person could then move into that employment. In fact, I suppose you could say the institutional training program itself is a way in which people who are unemployed can be retrained, because over 55 percent of those who enter the Institutional Training program, in fact, receive unemployment insurance while they are being trained. So, that's one of the objectives of the program itself, to permit people who are unemployed to be retrained into other occupational fields.

Q. Do you think there is a problem for employees who are approximately 30 to 35 years old not being aware of these programs?

A. Well, people who become unemployed, who come to the Canada Employment Centers to establish claims under Unemployment Insurance benefits certainly would be made aware of the possibility of free training. Other people who are not in the labour force, perhaps young people, or other people that have been out of the labour market for a number of years and are seeking to get back in, there are many ways in which they are made aware of the program and judging from the numbers who are seeking access to institutional training a great number of Canadian adults are aware. But, yes, I suppose there are some people who don't know about the program. We try



number of ways to publicize it and make its availability known.

I wonder if I could hang on there to the last statement. There are a number of things I would like to mention from the Canada Employment perspective, locally. One, that in this community, we have used a program called Build, which again, is for the kinds of people you are talking about. It is provincially funded, and has been extremely successful. We have used it very recently with Mohawk College so we've looked at both ends of it: how the National Training Act will allow for people in that category and what the provincial government provides. And Build is very much directed, a part of the Build program as I say is funded by the province, directed to people who have lost their jobs and are collecting Unemployment Insurance benefits. They can be exposed to retraining through that process. We've tried to profile that program in this community, jointly with Jim [unclear] who is in the room, from Mohawk College. We've worked together in the community going out to employers, who are in that situation who may be coming down for various reasons, to sell the program to them and to employers, and recently had a joint workshop at Mohawk College offered to both employers and employees. Now, from a local Canada Employment Center perspective, one of the things we do when people register for work with us, who lose their jobs and may also be filing for Unemployment Insurance benefits, is to ensure these things are reviewed with them as part of their registration process. We also have group sessions available in our offices that consist of that, and in our main office at 11 Rebecca Street, we also have an audio-visual presentation that is available to people when they are waiting for their registration to be interviewed by someone, providing them, along with information on these programs and services. So, there are a number of tools we've used and rightly so. Not everyone is going to hear the same messages, because there are so many messages going out today from the



government. But, certainly we have made a real effort in this community to try to deal with that issue.

Q. One other question. If there is a case where somebody has been on Unemployment Insurance for six months and they are aware, or they find out about a program that is possibly eight months long, and they want to commit themselves to that retraining program, would they be eligible for two months extra Unemployment benefits so that they could commit themselves to that program?

A. People who are referred to one of the courses that we would provide and who are receiving Unemployment Insurance benefits, would have their benefits extended to cover entire benefit period. This is one of the arrangements under the Unemployment Insurance Act. It might be that the person had been receiving benefits, as you suggest six months, and might have a further twelve weeks remaining. If they were referred to a course that lasted 40 weeks, they would receive Unemployment Insurance benefits for the entire 40 weeks, and for up to six weeks beyond the completion of the course so that they could find employment. So that the period is extended automatically to the length of the course, although normally their benefits would expire before that.

I would like to, if I could, provide a supplementary response not directly to the type of questions. I'd like to turn the coin over a bit, if I might. You talked about the situation faced by the worker who gets laid off and faces poor job prospects and raised the issue of possible re-education, retraining for those individuals. For most of the employers in the room, at any rate, I'd like to put the question of prevention.



off prevention, to the extent that it's possible to work with your  
 ers, to develop both downside and upside. We talked about downside,  
 downside being the situation where you've got to retrench for awhile  
 lay people off, or go into work-sharing arrangements to avoid lay-  
 and that sort of thing, but the objective is to discover, now that  
 re lean and mean getting ready for the recovery, to what extent can  
 employer and the worker community work together to develop plans to  
 st, to develop new markets and all the rest of it. There are some  
 l examples I know of, that, through joint labour/management co-  
 ation some rather impressive turnarounds have taken place, and I use  
 word turnaround as we move from a downside to an upside situation  
 in an individual firm. We are trying to respect some of the  
 identiality of industrial intelligence, if I can refer to it as that.  
 e is a particular firm in the area that has done a lot of work with  
 employees to develop new processes, new work processes, new ways of  
 g old things and in fact, it has designed and patented some new  
 esses, and encouraged by that sort of success, they have been able to  
 at export markets. In other words, you invented processing equipment  
 ng a period of retrenchment that provides some time to get ready for  
 recovery and to look at new markets and new processes. To what extent  
 we work together, employers and workers, to deal with those kinds of  
 es?

Another question just came to mind. Has there been much success in the  
 lton area, or willingness by employers and employees to use the work-  
 ing program so that some employees are not to be laid off?



A. There are dozens and dozens and dozens of cases that I know of in Ottawa where work-sharing has been used in the Hamilton area. Do we have a bottom line, Grant, on total involvement?

The average number we have had using the program this past year has been about 2 000 people at any one time, and about 150 employers participating. So, there has been an interest in the program and my contact with employers who have used it generally has been a very positive reaction to the program and great interest. In fact, every day, there are additional numbers of employers indicating an interest in participating in the program. Initially, there were some administrative things we had to work out with the program from the stand-point of timing and processing of the U.I. claim. But, most of that now is working very well. So, the administrative problems have been worked out very nicely and the process is, from our end anyways, at the local level, working very well. We are very positive about it, and as has been mentioned, I think Grant mentioned, the commission is looking at using it for retraining purposes, and to me that really puts it in a positive perspective for the worker and the employer.

If I could just furnish one ... you talked about the extent to which it was used in the fiscal year 1982/83. There were 105 work-sharing agreements in this general area involving 2 500 workers and involving expenditures of Unemployment Insurance benefits to the extent of 2.6 million. So, it's been used quite a good deal.

Which would indicate there are no major industries using it.



I was wondering how successful it is with organized labour, volunteering  
 it down their hours so that they could employ more of their members?

Well, in each case, it's only proceeded with where there is agreement  
 on the part of the workers. If you are raising the wider question in  
 terms of how organized labour sees work-sharing that is another kind of  
 question, and I wouldn't presume to respond to it.

Do you know anyone who could, off-hand?

RATOR:

I think I am capable of taking that one. Organized labour do not  
 create work-sharing, certainly not in the major contracts, for lots of  
 reasons, some of them philosophical, some of them practical. In the case,  
 for example, of the Steel Company of Canada, where you had some 4 000  
 people laid off following the work stoppage in 1981, and you have  
 approximately 3 000 of these people, two to 3 000 of these people who are  
 eligible under some kind of recall to come back into that particular  
 force, it would be difficult to apply a work-sharing program to that  
 group. Inasmuch that they have varied skills, there are something  
 25 000 different job descriptions in Stelco, I'm inclined to think  
 that is ridiculous, but nevertheless, there are 25 000 different job  
 descriptions in Stelco. And how do you try to apply a work-sharing  
 program when you have your most junior people mostly in the field of not  
 highly skilled occupations being brought back in the retraining program.  
 It would be crossing all sorts of lines with regard to violations of the  
 collective agreement in other areas. So, these are the practical reasons.  
 As for the philosophical reasons which came out of the Labour Studies



Department at McMaster ... in the long-term, in the short-term they are okay, but in the long-term, they don't do too much to really create more jobs and really put more people to work. One other aspect of it in the not so-highly paid occupations, we have also looked at them, I'm sure that some of the panelists may have an answer to this one, is that a person who is only working for four hours a week, and that is, drawing four hours what we call legitimate contracted rates, and then having his weekly wages reduced by whatever that 20 percent is, on U.I.C., is, in fact, or could in fact be paying a lesser amount than U.I.C. benefits which could result in a lesser amount of U.I.C. payments along the road, so we also talk about perpetuating poverty when you do certain things like that. But, there're a lot of reasons. I am sure there are enough trade unions in this hall today that you can talk to afterwards that can give you their reasons, but I don't want. One question you did ask, with regard to the amount of information that flows from the employment office with regards to grants you feel that many people don't really know what's available ... that's a complaint I've been getting for the last year that they are not aware of what is available, so before this session started this morning, I raised it with the panelists. And I said it seems to be the rule. I asked them if they would be open today and say everything, tell everything that is available. I said it seems to be the rule that you don't tell the people. And Grant replied that it's not the rule, but it might be the practice so you have the rest of the day to figure out the difference.



Mr. Chairman. Among the panelists reference was made to Mr. S. Luka. Would you be kind enough to ascertain accurately the trade name for me? If possible, I like to be able to contact them at a later date.

RATOR:

I'll talk to you after the session. Are there any other questions?

Ed Hunky. A few comments and clarification from Allen before I think I have a question for him. On the last program, you outlined the Unemployment Adjustment program. A couple of comments for clarification. As far as there have been some changes in the U.I.C. Act, the maximum you can receive while in the training period was 102 weeks. Another comment that relates a lot to what Burt was talking about earlier is that programs are hard to play and they're so successful that the money runs out. The program through High-Tech and through Mohawk College that has been made available to the gentleman asked about regarding retraining from a level that you are at now to a level that you would need to go back into industry. There are 180 positions open, and I believe well over 1 200 applicants, and there have been more, so you run into the same thing. It's something that we want, people willing to get into those training programs but there aren't enough vacancies or openings to get into to up-grade your skills from this level to the level you know you are going to require to get back into industry. So, on the last program you spoke about, Allen, can you give some clarification because you've mentioned the acronym for it, and I'm not sure if I've got a question for you or not.

You are quite right that the maximum is 104 weeks Unemployment Insurance benefits but that is long enough to cover most of the programs that our session purchases in terms of training.



Q. What if Mohawk is going to go for three years, of a possibility of three years?

A. Well ... it would not be three years continuously. Is it not a three year program where the in-school portion is broken?

Q. It is supplemented by going back into industry if you can get back into industry.

A. Well, the 102 weeks refers to the period of in-school training during which the person would be receiving Unemployment Insurance benefits.

With respect to the question about the limitation and it was raised earlier in the context of computer training as well. It's true that a number of the programs are limited. On the one side, we are not able to support all of the training that people would like and that would benefit them. On the other hand, of course, one has to look at the amount of money devoted in total and something over a billion dollars a year is spent by the commission in various supports for employment. So, I suppose that amount of money, people would say on one side a billion dollars should surely look after everything, on the other side you are always faced with rationing the money because although it sounds like a lot of money it provides for about 160 000 Canadian adults per year. That's also a large number, but a small part of the labour force. So, expanding some programs, contracting others is clearly what we have to do to try to put the funds that are available in the most positive manner so that it creates the least problems in the short-term. It will always mean, I think, that some programs will be over subscribed, and to some extent I think that has to be because the number of employment opportunities will be limited. There is a danger, I suppose in expanding programs to the point where you again



over-supply of people coming out of the programs and an insufficient  
of jobs. That's a delicate job to try to gauge how much expansion  
w quickly, but we didn't get a chance to talk this morning about  
s in that respect of improving our forecasting ability, to look  
at the labour market that is to come, but we are trying to expand  
we should be, where we think we should be, and that's a challenge

just brought that up so the gentleman wouldn't get his hopes up  
ng he's going to go out and be able to get into one of these programs  
e I would like to inform him that they are well-filled. Allen, could  
n your last program discuss Employee Adjustment Program?

e Manpower Consultative Service and it's role in helping employers  
rkers get together to deal with adjustment?

that the one where it involves relocation?

can.

ere there are plant closings or indications of plant closings?

at's right.

en my question would be what is the success in that because we had a  
ion here in the City of Hamilton where the Westinghouse Switchgear  
on moved, that our union participated in that committee; in over  
ars, there wasn't one job found for one of our 500 people. In fact,  
t certain ... our representative refused to sign the final report  
e the committee had actually really done nothing. Now, I don't know



for what reason it did nothing, whether the company just didn't do their share or whether the CEIC didn't do their share, or what, but I would just like to know in the country, as a whole, is that a successful program?

A. I am basically familiar with what took place in that Westinghouse case, and first, let me say that it's representative of the experience across the country. With respect to employers and workers working together on joint committees on the downside dealing with plant closures and mass lay-offs and this sort of thing, the experience traditionally has been that something in excess of 65 percent of the people who were faced with lay-offs were able to find alternative employment for themselves as a result of the work of the joint committee. There were some reasons why things didn't work so well in the Westinghouse case and in that regard, I would point out that the program is a private sector adjustment initiative. It's a process, if you will, where labour and management work together. And I don't want to assign blame to anyone for that, but fundamentally, our philosophy is that it's a process involving labour and management together to be responsible for developing their own private solutions and the success of the committee is largely determined by the extent to which they are prepared ... to which both sides are prepared to work together. There can be two flies in the ointment, if you will, if we don't have a competent servicing consultant, it can be a problem and fortunately most of the consultants are quite competent. And secondly, the quality of the chairperson, the person chosen by the parties, anyone who has worked on a committee knows the person chairing the committee can determine to a large extent



cess of that committee. I'm speaking in generalities here now, but speaking generalities, the process has worked and it's very, very liked by those who have taken advantage of it, something in excess committees get formed each year to deal with adjustment issues.

OR:

's 12 o'clock, which is the witching hour, and I think that, I would like to thank the panel, but now I also would like to thank our questions have been good.







FINANCE

MODERATOR: John MacFarlane, Vice President Administrator  
McMaster University

PANELIST: Phillip Smith, Director of Policy  
Finance Canada, Ottawa

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## FINANCE WORKSHOP

**Moderator, (John MacFarlane)**

I'd like to introduce your panel: Hugh Young and David Holland, are from the Tax Policy and Legislature Branch of the Department of Finance; Henry Pawlak, Chief, Employment and Investment at Finance, and Norma Burlington, from the Economic Programs and Government Finance Branch. I am John MacFarlane, Vice-President, Administration at McMaster University.

**Hugh Young**

Briefly, what I would like to talk about is the economic background of the department; budget-making, in connection with the consultation and recommendations that came our way -- I'll give specific details on this point -- and I would like to talk a little a bit about the deficit. On the deficit, I will talk not only on revenues, but I will also examine expenditures. I would like to talk briefly about how and on what the Federal Government spends its money. Hopefully, I may perhaps get some reaction from you. If indeed there is a problem on the expenditure side, where is it and what should be done about it.

**Canada's Economy, Background**

I'd just like to briefly talk about the economic background we are looking at. As you can see, 1982, in terms of real output in the Canadian economy, the GNP took rather a decline, certainly unprecedented since the Great Depression when real output fell by close to five percent. The unemployment rate for the year averaged around 11 percent and by year-end it was about 12 percent. The expectation is that the unemployment rate will average about 12 percent throughout 1983, only slowly declining to around 8 3/4 percent by 1987.

We expect considerable moderation in the rate of inflation, a combination of the influence of federal initiatives like the six-five program, and the impact of a fairly high degree of economic slack. So, inflation will moderate significantly, unemployment will remain high and growth of real output, coming off a very depressed level in 1982, will only be moderate.

**The Pre-Budget Consultations**

In the discussions the Minister had with various people, there was a reasonable consensus that some nature of stimulus was necessary. But because of the large federal deficit, it should be explicitly temporary in nature. In the consultations, there were lots of recommendations for public sector investment in



al projects to tackle this very significant problem of low and high unemployment. I might add as well, the Minister about low rates of cash flow, high debt ratios in the rate sector, extension of losses carried forward and carried treatment of corporate taxes and some liberalization of tment tax credits. Recommendations also took the form of alization of capital consumption allowances, stimulating mer demand, increasing the deficit (from zero to \$10 on) and cutting the deficit. I think it would be fair to ere was some consensus, certainly coming off the economic rmance, in 1982, where employment fell by over three percent eal output declined by almost five percent, that some lus was necessary. But it should be explicitly temporary in e in order not to permanently add to the size of the federal it.

### Federal Deficit in Perspective

like to put up a chart which hopefully gives some perspective e nature of the federal deficit. This graph encompasses the d from 1967 to 1987, (the last year of the projection d), for the purposes of fiscal planning. As you can see, 1973, the green shaded portion indicates the federal nment was running a surplus. But since the beginning of the deficit has widened to close to four percent of GNP by fell through 1979, and fell further as a percentage of GNP 31 to the point where it was in the neighbourhood of roughly percentage points of the GNP.

go into a bit more detail later on on the nature of that tion, but it is quite clear that the federal deficit oned significantly in 1982 on a national accounts basis. In rs, it translates into 22 billion dollars, and it's roughly percent of GNP.

definitely was a feeling that some stimulation was priate, that it should perhaps be modest and of limited ion, in order not to permanently add to the size of the it as there were concerns over its projected size over the e of the fiscal plan up to 1987. The evolution of this it from balancing as late as 1974, to roughly six percent of r \$22 billion in 1982, began in 1974 with some stimulative ts that occurred at the time of the first OPEC price hike. ere were measures on both the corporate and personal income tax to stimulate demand and up to roughly 1979, a succession of us types of tax cuts. A federal tax cut was instituted in reduction in sales taxes in '74, permanent reduction in acturing sales tax in 1978 and the introduction of the tment tax credits.

u can see, from 1976 to 1979 or 1980, federal expenditures oughly stable; you can see the peak as a share of GNP in By 1981, federal expendirues as a share of GNP were



roughly the same, slightly over 21 percent. With the rise in revenue shares that occurred in 1980 and '81, are predominantly energy taxes associated with the National Energy Program, there was some prospect of narrowing the deficit over the projection period. Unfortunately, 1982 proved to be the worst year for economic performance after the post Second World War and the federal deficit widened significantly from two to six percent of GNP.

The department's estimates suggest that between 60 and 80 percent of the widening of that deficit that occurred in 1982 did indeed reflect cyclical conditions. There was the economic weakness in the economy and that showed in our revenues as depressed personal and corporate tax receipts. Corporate profits fell roughly 35 percent in 1982 after falling 15 percent in 1981. As well, there were expenditure pressures: increased demand for unemployment insurance benefits; some shared cost programs with the provinces for assistance on social welfare where the costs are shared 50 - 50 did lead to a significant runup in the expenditure ratio to GNP as well. We are faced with this large deficit, a large part of which was estimated to be tied to cyclical conditions.

But at the same time there was concern that not all of the deficit was strictly of a cyclical nature. I won't go to great length on the specifics, but the top panel of this chart shows the federal deficit as a share of the GNP, the difference between expenditures and revenue. You can see that in 1982, the federal deficit was roughly six percent of GNP, and is anticipated to rise to seven percent in 1983, in part because of budget measures and economic decline over the projection period.

I have attempted to show the nature of the actual federal deficit as what we call the structural balance which reflects cyclical influences on the economy. This is basically calculated on the assumption that if we were to return to normal levels of output in 1983 and the years beyond, we would have more employment, more output, greater tax bases, and the like; and there would be less pressure on expenditures stemming from influences of cyclical conditions on the economy.

These calculations on different assumptions suggest that somewhere between 50 and 60 percent of the actual deficit in 1982 - 83 could be attributed to these cyclical conditions. Some of it is not; indeed, the remaining 40 to 50 percent could very well be structural in nature. For example, even if we were to return to more normal levels of output, employment growth, and the like, cyclical influences in the economy would reduce expenditures and raise revenues, and the federal government would still be running a deficit.

The red shaded area makes another abstraction from another calculation of influences on the federal deficit known as the concept of inflation adjustment. Very briefly, in inflationary periods interest rates themselves comprise an element of



tion. The federal government, is a net debtor (savings, long term bonds, etc.), so over time, inflation erodes the value of that debt. to the extent that debt is financed or rolled over, over time, pressures are placed on money markets. In effect, Canada as a large borrower, intrudes hugely into the market, causing upward pressures on interest rates for all borrowers.)

Calculations show that roughly one and a half percent of the federal government's budget deficit could be attributed to the influence of high nominal interest rates and high debt payments, even if rolled over, over a successive period would be rolled over, with roughly 1.5 percent of GNP. The real concern, though, had to do with the nature of the structural balance. There were concerns that the economic performance picked up post 1983 and 1984, a large persistent federal deficit that was not all cyclical conditions could create difficulties for interest rates and private sector borrowing demand by crowding out other issues. So, the basic thrust of the budget was very much conditioned by the fact that a good part of it was cyclical.

In 1982, an unemployment in excess of  $10\frac{1}{2}$  percent, projected to rise to  $12\frac{1}{2}$  percent in 1983, certainly could not in any way be regarded as satisfactory performance. It was felt appropriate that the federal deficit be allowed to run its course with regards to the influence of cyclical conditions and the like on the deficit. With only modest output prospects in the immediate future some stimulus was required. Because the federal deficit was very large, both absolutely and as a share of the GNP, measures were taken in the outer years of the fiscal plan to reduce its size.

In the short run, a good thrust of the budget had to do with measures to increase the financial strength of the corporate sector. Briefly, included in the budget were measures to extend losses carried forward and carry-back provisions for corporate income taxes. Coming out of a poor economic performance in 1981, 1982, many firms were in a loss position, and their balance sheets were in poor shape with large debt-equity ratios. Because the firms were in a non-taxable position it was felt there should be some extension of the provision to carry losses forward. Carry-back was appropriate as well, because these firms, being in a non-taxable position, they were not able to take advantage of existing tax expenditures for investment tax credits. They were not in a position, because of their loss position, to take advantage of them.

There was some short term stimulus to consumption in the budget that came through such measures as extending the Canadian Home Ownership Stimulation Plan, adding monies for rehabilitation and modernization of the rules for Registered Home Ownership Savings Plans to promote new home construction and appliance purchases. Another major thrust of the budget was public sector capital projects. These measures were explicitly designed to pull



forward planned public sector expenditures. Some of the incentives for the corporate sector were designed to hopefully, pull forward investment from the private sector. So some of these measures would self-destruct as the economic performance improved.

The thrust was two-fold: hopefully to pull forward some aggregate demand from both on public and private sector investment and to stimulate consumption, but to do so in a fiscal way that did not result in a permanent increase in the deficit. This stimulus is in the neighborhood, I should add, of \$1.9 billion this year and roughly \$600 million next year.

To ensure it didn't add permanently to the deficit, measures were undertaken to increase federal government revenues. Notably, the manufacturers' sales tax was increased by one percentage point beginning in October 1984, the intention being to fund the special recovery capital projects program. The Canadian ownership charge, the \$1.15 a barrel levied on domestic use of crude oil and 15 cents per 1,000 cubic feet of gas, was extended indefinitely, and as well, the federal personal tax deduction was modified. Beginning in taxation year 1985, a phased modification of that will begin to generate increased revenues.

We estimate these measures will reduce the size of the structural deficit, by the outer years of the fiscal plan, by about one to two percentage points of GNP. In absolute numbers, that's in the neighborhood of \$4 billion. Given the uncertain economic outlook, we felt it inappropriate to proceed with announcements of further tax increases in the outer years of the fiscal plan.

I would like to make a point to bring out the nature of the so-called "tilt". In this graph, the red line charts actual federal government expenditures at the start. As I pointed out earlier, between 1974 and 1981, federal government expenditure was roughly constant at about 21½ percent of GNP. The influence of the weak economy in 1982 saw a significant and sharp increase in that ratio, to roughly 24½ percent of GNP in 1982. Further increases in this ratio are anticipated, certainly in 1983. But hopefully, with continued expenditure restraint, reductions in the inflation and interest rates and the explicit nature of the stimulus on expenditure side in the short run, being phased out in the longer run, that the ratio of expenditures to GNP is projected to decline from roughly 25 percent in 1982 to a little under 23 percent in 1987.

The blue line is the departmental estimate of the influence of weak economic conditions on federal government expenditures, particularly those for unemployment insurance which are sensitive to economic conditions. We have attempted to estimate the unemployment rate based on the premise: if we were to operate at a more normal, fuller level of employment and by this we mean seven percent, what would be the influence on federal government spending. It is undoubtedly dramatic when you consider that the



ence of cyclical conditions, beginning in 1981, has produced significant runup in federal expenditures in actual terms, five to what they would have been if the economy was sitting at more normal levels of output. According to these adjustments abstracting from the influence of cyclical conditions, high levels of unemployment, weak levels of output growth, and the like, by 1987 federal expenditures as a share of GNP would be roughly unchanged as a share of GNP.

Third line, the green one, attempts to make one additional adjustment and simply removes public debt charges from federal government spending. This is not to suggest the federal government doesn't spend money on public debt charges. During recessionary periods, because of the large inflation component of interest rates, it can be useful to look at expenditures excluding public debt charges. In the short run, these expenditures are not terribly discretionary because they are determined by past deficit levels and debt and interest rates.

This exercise presents a fairly dramatic story. When you exclude public debt charges and the influence of cyclical conditions, total government spending from 1975 to 1979 fell from roughly 17 percent of the GNP. It is expected to increase steadily up through 1983, and remain relatively constant thereafter at 18 percent of the GNP. But again, the higher ratio is lower than the peak period of federal spending as a share of GNP recorded in 1975.

Now, because of the concern of the deficit, the budget has had to provide some short-term stimulus as well as some measures to reduce the deficit over the medium term when the size of the deficit and its influence on interest rates could be much more pervasive. The deficit reduction measures came via tax measures such as: extension of the Canadian petroleum ownership limit; increasing the manufacturing sales tax rate and increases in personal income taxes to occur in 1985.

In the end, the deal was that while stimulus was appropriate only in the short run, we did have to reduce the deficit over the medium term. It was not perceived that expenditures were necessarily "the problem". The culprit was a combination of cyclical influences on revenues, weak economic conditions, and a succession of discretionary tax cuts over the course of the 1970's -- all of which resulted in a fairly significant decline in federal revenues to GNP. Not everyone is convinced expenditures are the problem.

## Federal Monies Are Spent

I like to briefly discuss where the federal government does its money. These (graphs) are for the two fiscal years, 1983 and 1983-84. These figures come explicitly out of the budget and have been built up from fairly detailed numbers from the Treasury Board's main estimates.



One thing comes out: in both years, 1982 and 1983, over three-quarters of government spending is transfers. It's transfers in terms of public debts; transfers to persons in the form of unemployment insurance; transfers to other levels of government in the form of equalization payments, cost sharing programs for health, education and welfare; it's subsidies and capital assistance to business and it's transfers to nonresidents in the form of foreign aid. When it comes to federal government capital formation or use of goods and services including civil servant's salaries, procurement of goods, office rentals and like, that is less than 25 percent of federal government spending.

Our analysis has indicated that spending is not necessarily out of control, certainly during this period of cyclical weakness. Some feel it was not appropriate to raise taxes in the budget in order to reduce the deficit. If we had not, then perhaps there would have had to have been some pretty hard choices made with regard to how much should go the various recipients of those transfers, whether they are regions, provinces, businesses, employed people, unemployed, or the like.

In other words, if it is perceived that we have gone as far as we can on the expenditure side, and the deficit still persists, then there will have to be some fairly difficult choices made with regard to the recipients of those transfers.

**Moderator (Announces Coffee Break Followed by Next Panelist, Mr. Holland)**

**David Holland**

Hugh has given you the overall structure of the budget, and it is up to the rest of us now to fill in some of the details. I'll be talking about business taxation; Henry Pawlick will be talking about personal taxation and Norma Burlington will be talking about the special recovery capital projects.

The budget assumes that the recovery has started, and so its intention is to strengthen and amplify that recovery. That's why the special recovery program contains a set of measures designed to achieve this end. There are the three aspects: tax measures directed at businesses, tax measures directed at individuals and on the expenditure side, the special recovery projects.

### **The Budget: Business Tax Measures**

The business tax measures have been designed to achieve various objectives and are based on a number of principles. The first basic principle is that a strong durable recovery requires substantial private sector activity. Therefore, stimulation for industry was required in order to get the appropriate level of private sector activity and involvement in the recovery phase.



second basic principle is to concentrate the benefit of increased cash flow at the beginning of the recovery. In order to achieve this, a number of the measures contained in the budget are explicitly temporary in nature. They have sunset clauses which means they will only last for two or three years. Others are measures designed in a way to provide their maximum benefit in times of poor economic performance. In a sense, they are naturally tilted towards the current business situation.

Another goal of the business tax measures was to improve the financial statement, the balance sheets of firms. In the 1982 recession, firms were characterized by low profits; they were facing high interest rates and debt loads ran high. There was a concern that with the poor state of firm's balance sheets, they would be unable to participate fully in the recovery because they would be spending their money retiring debt and getting balance sheets in order. So the business sector would act more as a drag on the recovery rather than a lead in the recovery. Therefore, measures were designed to help those firms in financial difficulties and to help stimulate the equity markets.

Finally, there was a judgment that the general level of business incentives that we have in Canada were at about the right level. If you look at a typical manufacturing R & D project, you will see that the level of incentive in the Canadian tax system compares very favorably with tax systems in other countries. But there was a concern that the availability of these incentives was restricted, particularly in the slow economic times.

Firms with reduced revenues and higher interest costs had reduced cash flows; therefore, they would often be in a non taxable position. So even if they wished to take advantage of future investment prospects, they couldn't take current advantage of tax incentives. Therefore, the effectiveness of Canadian tax incentives was reduced. While all the measures put through do raise the level of general incentives, they spread them around. They make sure that those firms who want to become more competitive can get the assistance the government intended them to receive in the performance of that activity.

### **Specific Business Incentives: A Four-Part Strategy**

I like now to give you some of the details of the specific measures that were employed to implement this fourfold strategy. First, there are a number of measures affecting the **investment tax credit**. I should describe the investment tax credit to you here, just in case you are not entirely familiar with it.

The investment tax credit is earned with respect to new investments in plant, machinery and equipment. It's earned at various rates, but in the area around Hamilton, it will be earned at seven percent. That means if you invest \$100 to buy a new machine, you



will get a seven percent investment tax credit which you may apply directly against federal taxes payable. This is truly a federal program for if you get an investment tax credit and claim it, it reduces federal taxes, and not provincial taxes. So you can have a company that pays no federal tax, and still pays provincial taxes. The coverage of the investment tax credit is directed principally at the primary sectors. It's directed at manufacturing; it's directed at the resource sector; it's directed at agriculture. There are a couple of other areas, but those are the main recipients of the investment tax credit.

In the past, there have been a number of limitations on the claiming of the investment tax credit. It was first introduced, I think, in 1975 at a 5 percent rate and the rate has been increased from time to time. Previously, if you earned an investment tax credit in the year, you could not necessarily use all of it to eliminate all your federal tax. In particular, you could claim investment tax credit up to \$15,000, or one-half of the excess of your federal tax otherwise payable in excess of \$15,000. The implication is that a small business may be in a position to entirely eliminate federal tax, whereas a large business, with a large amount of tax, could only approximately halve its federal tax otherwise payable through the use of the investment tax credit. Any investment tax credits which you are unable to use in the current year, could be carried forward for up to five years. There was no provision for a carry back.

This budget made a number of permanent changes in the investment tax credit. These are not temporary though they would be expected to be of maximum benefit to firms in periods of slow economic growth. The first provision was to remove the one-half limitation. It's now possible to claim your investment tax credit to the full extent of federal taxes otherwise payable. I should add that these provisions apply both to incorporated and unincorporated businesses. They are not just corporate tax measures; they are business tax measures.

The first measure: you may still be in a position where your federal taxes in a year are small enough that you can't use all the investment tax credit. Accordingly, as for investments made after budget night, and made in 1983, you will be able to **carry back** your investment tax credit against federal tax that you already paid for up to two years. That means you may have paid two years ago, but if you get an investment tax credit this year you can get a tax refund of the tax that you hve already paid. In addition, the **carry forward** period has been extended from five to seven years. That obviously doesn't have an immediate impact but it does mean there is less risk of not being able to use the investment tax credit.

For years after 1983, the investment tax credit will be able to be carried for three years, rather than two, and phased in to fit in with the overall government fiscal plan. There is no magic, other than the amount of money that we had to spend. In



ion, it was felt that the investment tax credit would be an appropriate vehicle for a number of other special recovery measures.

Every important special recovery measure which will be in effect for investments made over the next three years is to allow the full utilization of investment tax credits, which have not been fully utilized in a year. How this will work is that if you make an investment, and you earn an investment tax credit, you still, even after the three year carry back, may not be in a position to fully utilize all those investment tax credits.

Of all, I think I should dispel an impression some people have. They think if you give refunds, you are giving money to the business. That's not the case. First of all, many start up firms are potential winners, but do not yet have a mature income stream. Their investments are well in excess of the income that they are earning, so that they can't take full advantage of the tax incentives.

Secondly, even among mature firms, a considerable amount of investment is made by firms that cannot fully utilize all their investment tax deductions. These are profitable firms who can't use their income tax deductions because in general, the income tax system provides deductions which are more generous than if you were adding it up with an accountant. So, your measured economic income, if you are a business, is less than your economic income, in a narrow sense.

Therefore, for these firms, and for the next three years, 20 percent of investment tax credits earned in the year which cannot be claimed in the year, nor carried back to one of the previous years or forward over the next year, will be paid in cash. Suppose you make an investment of a million dollars, and you earn \$70,000 and you can only claim half of that to reduce tax. Now, you can get a refund of 20 percent.

If you are a small business, the refund break will be twice that; 40 percent. Small businesses are inclined to be Canadian controlled private corporations. Or, if you are an unincorporated business and a typical example would be farmers, who earn investment tax credits tend to be unincorporated), then the refund rate would be 40 percent.

This measure, is of particular importance to small businesses because of two features. One, the rate is double. And two, the small business making investments tends to be nontaxable, whereas a higher proportion of large businesses making investments because they have a significant income base are taxable. So this is of particular benefit to small businesses in the manufacturing sector and farmers and fishermen.



If you haven't been able to use up all your investment tax credit yet, we have yet another use for investment tax credits in this budget. For the three years ending Dec. 31, 1986, we instituted the **Special Recovery Shared Purchase Tax Credit**. This is really quite simple in concept. You may be a firm that has earned investment tax credit you have not been able to use. Well, rather than holding on to that investment tax credit and using it at some point in the future, you will be allowed to effectively transfer that investment tax credit to somebody who makes an investment in common shares in your company.

In other words, you can take this investment incentive which you have earned and cannot use, and give it to somebody who invests in common shares. That will benefit you, because they will obviously pay you more for those shares than they otherwise would have. So you can directly attack the balance sheet problem, not only by providing more cash, but by broadening your equity base. This will be in place for the next three years. If you can't use the investment tax credit, you have a mechanism to give it to somebody else as an incentive to buy equity in your company.

In addition, we have extended the base somewhat to include heavy construction equipment which will now qualify for the basic seven percent investment tax credit. Certain disadvantaged tax regions of the country face higher rates, but for people in Hamilton, you are not disadvantaged enough; you have the seven percent rate.

The other major business change was the **extension of the loss carryovers**. Under the system prior to the budget, if a firm is in a loss position in a year, it doesn't get a refund of tax because it has negative taxes. Now, it may carry back its losses for one year. If it has paid tax last year, it can go back and in effect, refile for last year, reduce the income from last, and get a refund of tax already paid. If it still has losses, it can carry them forward for up to five years. The budget has extended these loss carryover periods.

Losses incurred in the 1983 tax year may be carried back for two rather than three years and carried forward for seven. For losses incurred thereafter, they may be carried back for three years and carried forward for seven. Again, the phase-in relates to the amount of stimulus that we can put into the economy. There is no magic to going to three from two. That was the amount of money we had to spend for this sort of purpose.

In addition, for small businesses, because of the particular cash problem they face in the current situation, they will be able to carry back losses for three years, starting immediately. There is no phase-in for small businesses. Again, this isn't a measure which simply helps losers, because losses are often created by accelerated depreciation and other investment incentives earned by growing firms, firms whose expenditure base exceeds their income base in a current period. They may be starting a new significant project; they will now be able to carry back losses



at year against income that they were earning prior to the  
 up of that project. So, this increases the effectiveness  
 broadens the application of the investment incentives  
 ntly in the Income Tax Act.

ther area directed at the balance sheet problem in  
 ular, is the **Index Security Investment Plan**. This was  
 ally discussed in the June, 1982 budget. At that time, a  
 of proposals were put before a committee of private sector  
 overnment individuals. They went through it and emerged was  
 ndex Security Investment Plan which operates on the common  
 s of public corporations, and effectively allows a capital  
 earned on those shares to be indexed. When Hugh was  
 ng you about the size of the deficit, he pointed out that  
 is an inflation component to the deficit which really can't  
 eated as income. It can't be treated as a drain on federal  
 ury. On the other side of that, when you make a capital  
 (you may hold property which you purchased for \$100) and  
 t for \$110 next year), if inflation has been ten percent,  
 eally haven't made anything. Previously, in real terms, you  
 taxed on the half of the ten dollars, on five dollars. Now,  
 will happen is that the base on which you are taxes will be  
 ed. Th provisions are a lot more complicated than that in  
 ay it will operate, but that is the basic thrust. We expect  
 this will be of tremendous benefit to the equity market.

nal business area in which the government moves was  
**research and development**. This is an example of how the  
 tative process between government and the private sector  
 d operate. Research and development has obviously been  
 ed out over a number of years as an important area for  
 pment in the Canadian economy. We've had developed over  
 ast four or five years, special incentives for research and  
 pment. However, as you gain experience with the  
 tives, you see difficulties in them. Private individuals  
 n and say this just doesn't work right, or it isn't  
 oriate for my circumstances. The government on the other  
 has certain goals and targets it is trying to achieve and  
 ay discover, over time, that the provisions you had in place  
 ot as effective as you would like.

dingly, in the pre-budget period, we went out explicitly and  
 d to quite a few Canadian corporations and businesses  
 ved in research and development. We talked to large  
 nies; we talked to small companies; we talked to companies  
 itish Columbia; we talked to companies in Ontario. We  
 ssed their views on research and development incentives and  
 so tried to find out more about what makes them tick; about  
 their problems are and how they go about deciding to do  
 rch and development. Obviously, you need to know how  
 dy decides to do research and development in order to  
 ve their performance in that regard.



The result of all that work was a consultative document issued by the Minister with his budget. In that document, we talked a bit about our findings and then proposed changes to improve the system.

The consultation, as an ongoing feature, is a proposal. If Parliament agrees, most features of the budget will be enacted into law; this proposal we hope will be enacted into law. We have asked firms, by the end of June, to give us their comments on the proposals we have made, and we have to date, received quite a few comments back from the private sector. I am pleased to say that they like it. They obviously have some suggestions to make.

Previously, research and development was eligible for the investment tax credit, though at a somewhat higher rate in general than other investments, (ten percent rather than seven percent). In addition, all business corporations receive a special investment tax credit at 25 percent. As well, all current and capital costs for research and development may be written off immediately. If you are putting up a research building, that obviously is a considerable incentive compared to the five percent rate you get to write off normal buildings.

Finally, there was a provision intended to promote growth in research and development by being targeted at incremental research and development. This provided a 50 percent additional allowance for growth in research and development over a previous three year average. In looking at the system, we discovered a particular incremental incentive didn't really work very well. It put substantial pressures on the rest of the tax system. As well, in talking to research and development companies, we discovered that financing particularly for smaller companies, is a very important area, very difficult. A lot of them are in a non taxable position. Over 70 percent of research and development expenditures were by firms who were tax limited in some way. Our incentives just weren't getting to everybody out there.

What we did was replace the incremental deduction with a higher investment tax credit. It's a simpler system; it goes to everybody and results in roughly a similar amount of tax reductions going to the firms. But, in addition, we have come up with a reasonably innovative financing measure related to the **Special Recovery Share Purchase Tax Credit** that I alluded to before. In this, it is possible for a firm to take not only its investment tax credit, but also its write-offs with respect to research and development.

Effectively, the firm can transfer those to individuals investing in the corporation. So, in this case, we are not tying anybody's hands; investment can be in the form of shares of any type, or in the form of debt. You can give them a bond, buy one of their bonds; or it can be some sort of contract. Research and



opment often invests in a corporation and takes some  
 ntage of the profits directly from the investment they are  
 g.

s what we are allowing, in this case if a firm cannot use  
 ax deductions it otherwise earns in research and  
 opment, it will be able to transfer them; it will be able to  
 nce the rights to those tax incentives, and the person  
 g the investment in the company will get a 50 percent  
 t. So, we have developed an extremely flexible financing  
 that we hope will help firms engaged in research and  
 opment to attract outside investment and needed cash flow at

are the major corporate tax measures which were contained  
 e budget.

ator

he major personal tax advantages, contained in the budget,  
 turn it over to Henry Pawlak.

Pawlak

are not quite as exciting as the corporate tax measures,  
 er, in the next 15 minutes, I will discuss some of the  
 al income tax measures introduced in the April 19 budget.  
 rticular, I will look at the new Registered Home Owners  
 gs Plan, (RHOSP), provisons, the overseas employment tax  
 t, and changes in the child benefit system. Of all these  
 al income tax measures, we have received phenomenally more  
 and inquiries on the new RHOSP provisions, and perhaps it  
 e useful to go over some of the technical details, as they  
 ot exactly parallel the existing legislation.

Provisions

ew RHOSP provisions are intended to assist eligible home  
 s to acquire newly constructed homes and furnishings and to  
 erate the use of RHOSP savings. This in turn should  
 late the construction industry, furniture, carpeting and  
 ance industries. I'll go through the details of these  
 ams.

the new rules, anyone acquiring a newly built home, after  
 19, 1983, and by March 1, 1985, generally will be able to  
 a top up deduction. This deduction is equal to the \$10,000  
 ime maximum contribution minus those contributions made in  
 ous years. An individual will also be able to withdraw  
 tax-free from an existing RHOSP plan, by that I mean one  
 lished prior to the April 19 budget, in order to purchase  
 fying furniture, or furnishings.



## RHOSP Eligibility

It might be useful to go through the eligibility criteria because they do not exactly parallel the existing legislation.

- \* You must be 18 years of age and a Canadian resident at the time you acquire a home.
- \* Neither you, nor your spouse with whom you resided in the tax year in which you claimed the top-up, owned a home or any other dwelling after December 31, 1981. This is somewhat different in that the previous RHOSP legislation required that neither you nor your spouse with whom you resided in the current taxation year, and previous taxation year had owned a home. This was essentially introduced to prevent someone from selling a home in 1984, and purchasing in 1985, since this is a two year provision.
- \* You cannot use this top-up deduction if you or anyone else used the \$3,000 Canadian Home Stimulation Plan grant for the same house, or if another individual used the top-up deduction, particularly your spouse, for that same house.
- \* The home must be newly constructed or it could be owner built.
- \* It must be located in Canada, and never previously occupied.
- \* The individual must occupy the home within 60 days of the taxation year in which they claim the top-up deduction.
- \* If you never had an RHOSP but are eligible to open one, you need not actually open a plan, in order to get the deduction. Essentially, a person would be able to purchase a newly constructed home and claim a \$10,000 deduction in the tax year in which they purchased the home.
- \* In order to use the top-up deduction, you need not actually contribute those funds into an existing plan. If you had \$2,000 in an existing plan, you would be eligible for an \$8,000 deduction without actually transferring those funds into the plan; in fact, you are restricted by the thousand dollar limit to the RHOSP contributions.
- \* With regard to the **furnishings**, if you had an RHOSP, and intend to withdraw funds from it to purchase furnishings, you must purchase the furnishing from April 29, 1983.



- \* It must be new merchandise -- one or more of the following items: new furniture for use in your home, including living room suite, dining room tables, chairs, kitchen chairs; it excludes built-in fixtures; certain appliances such as refrigerators, freezers, clothes washers, dryers, dishwashers, vacuum cleaners, floor polishers, rug shampooers; curtains, drapes, blinds, interior window shutters, rugs, carpets.
- \* Certain items are excluded, such as built-in furniture, basically all fixtures, musical instruments, home entertainment equipment such as game tables, videogames computers, televisions, stereos, clocks, outdoor furniture, humidifiers, dehumidifiers and air cleaners.
- \* Another restriction is placed on appliances. They must be valued at least \$100 each.
- \* One final point that is not very clear in the budget. If one does withdraw funds from an existing RHOSP, and makes a contribution after April 19, he or she is permitted to deduct only the net amount. That is, if they withdraw \$600 from the RHOSP and make a \$1,000 contribution after the budget date in respect to 1983, they would only be entitled to a \$400 deductible contribution. However, in 1984, and subsequent taxation years, they would be able to get the full \$1,000 contribution.

ture manufacturers seem quite pleased with it, and there has been an overwhelming response by interested taxpayers on these issues.

Before going to the overseas employment deduction, I just like to point out there is information for those who may be interested in the detailed provisions of the RHOSPS. It is a release called: "The RHOSPS and the April 1983 Budget," a very comprehensive pamphlet produced by Revenue Canada that you can get at your District Taxation Office. Similarly, a less comprehensive pamphlet, but perhaps written more in laymen's terms, is one produced by CMHC, which you can also get at the District Taxation Office as well.

### Overseas Employment Credit

Let us look at the Overseas Employment Credit. Our present law provides Canadian employees working abroad on certain international contracts, a personal income tax deduction equivalent to a maximum of \$50,000. The Overseas Employment Credit, (Section 810 of the Income Tax Act), was introduced in response to similar measures provided by other countries and in particular to some changes in the residency rules in July 1979, announced by Revenue Canada. Prior to that date, one was able to go abroad and become a non resident after six months. Revenue found that it was quite difficult as people found ways of bringing in income in the years from collapsing RRSP's or deferred income.



So they extended the period to two years. However, in response to these changes, many of the companies complained they weren't able to compete with other companies in the U.S., and this prompted part of the deduction. With the 1981 Economic Recovery Act, the U.S. introduced a fairly generous exemption of \$75,000, which grew by \$5,000 up to 1986. This once again put Canada in a slightly less competitive position. Although it was not exactly clear if one was taxed in the foreign jurisdiction equivalent to what you would pay in Canada, whether the foreign tax credit would cover it. The concern was for employees working in foreign jurisdictions with tax rates lower than in Canada. That was important.

As well the exemption provided by the U.S. was only after a period of a year. In Canada, this Overseas Employment deduction was available for employees abroad for periods of over six months. So, for a period of less than a year, the Canadian system was still more generous than the U.S. After two years of course, most employees would be granted non resident status, so given that the social security taxes in the U.S. are considerably higher, Canada still had the competitive edge.

However, the period between one to two years posed a somewhat serious problem, so in response, the Minister of Finance announced the 80 percent tax credit. This would be a tax credit in foreign income, otherwise payable. The tax credit approach was chosen because if one had enriched the deduction, many employees would place at low income levels, and you would have the same problems arising as when non residency status was granted after a period of six months. These measures make Canada more competitive in that period.

### **Changes to Child Benefit System**

The last measure which I will discuss will be the changes to the child benefit system. In the April budget, the Minister announced these changes to better target benefits to families that need them most. One change in this area was with regard to the employment expense deduction. The child care expense deduction was increased from \$1,000 to \$2,000 per child, and the maximum amount was doubled to \$8,000, effective for 1983 taxation year.

A further change to the child care expense deduction was proposed in response to rulings by the Canadian Rights Tribunal that the measure discriminates in favour of women. The budget proposed to remove this discrimination by requiring the lower income spouse to claim the employment expense. In cases where the lower income spouse is infirm, in an institution or registered as a full-time student in a designated educational institute, the higher income spouse will be permitted to claim the deduction.



ner change relates to the child tax credit. There are three changes. The first increased the refundable child tax credit by \$100 in the June 28, 1982 budget. This was a temporary increase to end in 1983, and after indexing, the new level would be \$326 per child. Instead of going with \$326, we raised the refundable tax credit level to the existing level of \$343, and in 1983, and subsequent years, this \$343 credit would be indexed. Second, the threshold was frozen. This means the credit is indexed by 5 percent for incomes above the threshold, now \$26,300. That threshold will remain in the 1983 and subsequent budget years. The last change relates to the child tax exemption, which was held at the current level of \$710 for children under 18. The total package was to make the child tax credit system somewhat more progressive in its effect on families with lower income.

erator

last speaker this morning is Norman Burlington who will be speaking about the special capital provisions within the Act.

a Burlington

As has already been mentioned by my colleagues, Mr. Lalonde in the April budget set out to ensure that the economic recovery program was underway, took hold firmly and was durable. One of the mechanisms he chose to accelerate economic recovery was a special recovery program which consists of seven key initiatives. David Henry has already addressed the tax policy element of the program, and I want to speak to you about the Special Recovery Capital Projects initiative under the broader program to strengthen the Canadian economy.

### Special Recovery Capital Projects

Special recovery capital projects initiatives will commit \$1.7 billion over the next four years to public sector investment and are essential to supporting stronger economic performance by the private sector. This is some \$1.7 billion more than previously planned and most of this additional spending represents an acceleration of projects originally slated for the next decade. More than half of this total spending will be in the next two years to provide maximum and early economic stimulus to the economy. The program is intended to ensure Canada has the public capital infrastructure needed to meet and take advantage of the competitive challenges of the next years. The program is intended to provide immediate economic and employment opportunities throughout Canada as key economic sectors are strengthened by an early increase in demand for labour and supplies. More efficient public capital infrastructure facilities are also intended to enhance private sector productivity and competitiveness.



The more than 100 projects include major investments in several key sectors.

- \* The first is in airport, highways and port facilities. These projects are to facilitate faster and more efficient movement of people and goods. Two examples of projects in the Hamilton area are the \$44.2 million acceleration of the airport upgrading and expansion program, and the \$8 million East Port Harbour Complex recently announced by Mr. Munro in this area.
- \* The second area of concentration is the establishment or expansion of research and training facilities intended to upgrade skills, foster Canadian expertise, and increase productivity in a number of important sectors.
- \* The next area is the procurement of ships, which is designed to aid the long-term development of Canada's marine construction industry while taking advantage of short-run spare capacity to meet important needs.
- \* Another area is advanced technology procurement, which is intended to improve Canada's productive capacity in advanced technology products, while filling vital public needs. A further benefit is the demonstration to potential foreign consumers of Canada's high technology capability.
- \* Investment in land and tourism development is another highlighted sector. Accelerated development in this sector is intended to have a catalytic effect in triggering related private sector investment as well as providing stimulus to a number of other sectors such as construction and retailing.
- \* Investments in resource development are designed to alleviate constraints on the development of the forestry, fishing and agricultural sectors.

The projects just described are diverse and regionally balanced in order to deliver the maximum economic impact.

So that this major national effort gets under way immediately and projects are effectively implemented, a new temporary **Special Recovery Capital Projects Board** has been created to ensure that government agencies involved move with all possible speed on this program. The board's principal function is to assist sponsoring departments and agencies to "fast track" the implementation of capital projects on time and budget.

Projects will be physically under way within six months of approval and 60 percent completed within the first two years of the program. A key role of the new board will be to identify and mobilize the private sector skills and resources necessary to



with this large and rapid increase in federal capital construction and procurement. The Minister of State for Economic Development has been given overall responsibility for the special recovery capital projects and for the board. In closing, should you have any detailed questions relating to specific projects, I would encourage you to direct your inquiries to the Federal Recovery Capital Projects Board secretariat in Ottawa.

### QUESTION PERIOD

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Two short questions that I should direct to Hugh Young. The first relates to his rather interesting and valuable charts. I think there were seven or eight showing the structural and cyclical components of the budget and if I interpreted them correctly, it suggested other conditions. There will still be a significant structural deficit embodied in that picture. In the case of projected moderate productivity increases for the future in one of your earlier charts, does this suggest that perhaps we may look forward to some continuing increases in the rate of taxation in coming years? There seems to be some discussion of this, in the Minister's budgetary document. That is my first question.

The second is that in distinguishing between the federal government's categories of current expenditures on goods and services, gross national expenditure and transfer payments, it is essential to include the service costs of the national debt as a transfer payment. This has always puzzled me to some extent. It is not only curious, but it could indeed be misleading in that payments on the national debt are after all, the interest payments for a valuable service, namely finance capital. If I lend my money to the government, there is an opportunity cost if I forego in the private sector ... interest for this economic service. I wonder in the light of this, if it is not perhaps rather misleading as an analytical device to have these interest payments included in the transfer category.

Young

You are quite right that there is still a structural component of the deficit. I must first point out that with our assumptions of full employment are fairly modest, (seven percent, as being the average level of utilization of labour). We only predict potential economic growth at around 2 1/4 percent per annum. A relatively robust track leaves us with both a structural and cyclical component and unemployment which is only projected to fall to 8.6 percent by 1987.

The steps taken to reduce the structural component were on the revenue side, not on the expenditure side. When developing the recovery plan, I think the judgment was that the recovery still had



some degree of fragility to it, so now was not the time to really address that. In the future -- three or four years out -- if indeed it is a problem and these are economic assumptions, I guess it would be fair to say let's take a look at these.

Judging the shape of the economy three or four years out is highly speculative so what the appropriate fiscal position would be is again up in the air. Whether it will be on the tax or the expenditure side, I couldn't judge. I am suggesting that if there is a perceived problem with the size of the deficit, and what impact it will have on the expenditure side, that a good part of the federal spending is transfers, it would have to be clearly a discussion on the nature of the federal government spending priorities. If it is necessary to support those expenditures and at the same time reduce the structural components of the deficit, it is possible it would have to come on the tax side.

With regard to the treatment of public debt interest, it's by definition, a transfer; there is no command on real goods and services to it. I certainly agree with you that, just as in the business sector, which is incidentally, in deficit, it does unbalance the deficit. In the business sector, there's probably a more identifiable capital associated with it. As in the case of the federal government, much of the capital built up is a little bit amorphous. Indeed, if it is spent on education and what not, it is very difficult to measure that human capital.

But I would suggest that these interest payments, and the debt financing that would be required with it, should have a significant capital component, whether of the physical or human variety. I suggest that in the case of the federal government, balance sheet, attempting to match up the rates of return and the type of capital financed by it is much more difficult than in conventional business balance sheet accounting.

### Question

I guess a lot of what you have been saying is that we are getting a lot of tax breaks and incentives to business to stimulate investment, etc. The problem is that as the diagram shows, the budget deficits are increasing. To me, an important question is how can it be financed, and just where is the government going to get the money?

### Hugh Young

From Canadian savers who are currently saving about  $13\frac{1}{2}$  percent of their disposable income.



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ou are going to be issuing bonds? (Yes). In which market.?

Young

ditionally, the government of Canada only finances them  
stically. It is financed abroad on occasion, but only to  
enish foreign exchange reserves. Typically the government of  
da virtually finances totally in domestic markets. With some  
ctation of some further decline in interest rates, you might  
perhaps more than traditionally, money being financed for  
sury bills in domestic markets, with primary reliance on the  
merging long-term debt market. But in Canada for sure.

tion

you'll be selling bonds in the market, rather than Canada  
ngs Bonds?

Young

there will be the traditional Canada Savings Bonds sale in  
nber.

tion

an, are you going to financing in other types of bonds?

Young

that is the strategy. Over time, there has been a move to  
ing away from Canada Savings Bonds. The terms were so rich,  
if you got locked into them at very high rates of interest,  
could be looking at a seven or eight year term on those  
da Savings Bonds that, if market conditions changed very  
lly, you could be paying fairly stiff interest rates. Canada  
ngs Bonds have effectively moved to a one year instrument  
the rate is set for one year. Minimum rates are set for the  
equent six years of the last two issues.

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h't know who to direct this to; it's small business, really.  
re looking for advice. We have been in business for 40  
s. Some of the equipment needs improving and made more  
cient. We've had one or two go's at trying to get a little  
of assistance from the government. I won't say they ignored



us, but I was wondering if the gentlemen at the head table had any suggestions for a company that wanted to invest about \$100,000 or so in new equipment. What grants are available from the government and what is the best way to go about getting some of the money?

#### Answer

There are the provisions within the Income Tax Act, the seven percent investment tax credit. I don't know what your line of business is, however I don't guarantee you will get an investment tax credit. Not every business in Canada gets it. You have to be in either basically manufacturing...

#### Question

Well, we manufacture (inaudible)

#### Answer

Okay, you get a number of incentives through the tax system, if you are paying taxes right now, that can be of benefit to you. Here is a great way to get a lot of it back. You would be eligible for the investment tax credit rate at seven percent and in addition, you would be eligible for the manufacturing and processing two-year fast write-off. If you purchase machinery and equipment, this allows you effectively to write off that asset over two to three years, which I am sure when you write it off for your business purposes, you probably take ten or fifteen years. So that does confer a cash flow advantage. Your sum total of depreciation is the same, but you get, in effect an interest-free loan from the government. So, that's the hands-off help that you get mainly through the tax system. If you are looking to see what grant programs there are, Norma would be a better person to answer.

#### Norma Burlington

I was just wondering if you have been in touch with the Small Business Secretariat. They liaise with Federal Business Development Bank, because there are a number of programs.

#### Question

Well, I have been in contact with them, but I haven't really had satisfaction on something that we want to move on. In other words, we have been looking for this kind of help. In starting out, I don't want to start out with just one idea; I thought that we had this panel up here, and if there is any other information coming forward, I would appreciate it.



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you should take it into account, when you are looking at finances.

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of the problems is places like Brantford where the government has some of these grants, and everything is set up and the businesses compete. They have given them quite a bit of money. They have even put ads in the paper.... But the financial assistance we have had is nil. Sure, cutting the tax is a possibility, but I just wondered if there were any grant possibilities.

### Burlington

there is also the Enterprise Development Board, and I am involved in a couple of projects ... which have put proposals into a to upgrade or put in new productive capacity. They have moved forward and got guarantees, and grants under that program. It is another program that you might want to look at.

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could do that. But the other problem we have is land. We haven't got the land available to expand our plant, and we have not got more efficient equipment. Either that or move elsewhere.

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an accountant should be able to give you advice on that. It's a very standard part of the Act. It's called Special Deductions; aimed at manufacturing, and it's been in place since the mid 1950s.

chances of getting a response, use your M.P. That gives you somebody in Ottawa. It's unfortunate, we are in the Department of Industry, but we are not in the business of delivering programs. For example, we don't collect taxes. The Department of Finance sets the overall tax policy, but Revenue Canada collects the taxes. In a similar manner, while the Department of Finance has input on the program side, they don't actually go and deliver it; they do it from the offices. We are a small department. People who manage the offices are the small business secretariat, the new Department of Regional Expansion, or whatever it is called now. Therefore, we are not the best people to answer your question of how to pull the lever to pull. I know it is difficult for small businesses to know who to talk to, for if you talk to the wrong person, it is not going to do you much good.



**Question**

I have known several others who have had a problem. The banks are closing down on them and it means that they have to get some money. When the bank takes their money out, they are leaving them with quite a serious problem.

**Answer**

There are some special tax provisions in place to help financially distressed companies. In addition, the Federal Business Development Bank is in a position to lend money to companies, and they are another agency that you should be in contact with. I would also recommend, in terms of opening doors in Ottawa, writing your M.P. You employ people in his riding; he has to be pretty concerned about that. Your M.P. may be able to do something, phoning to the right people through Ottawa. I wish I could give you a name but I can't.

The Small Business Secretariat is supposed to be a focal point, a one-stop shopping. They liaise with the Department of Finance, with other departments, with the Federal Business Development Bank. They have a new mandate after this budget to get into more merchant banking in order to help companies such as yourself. They also are supposed to make you aware, or to put you in touch with any people that administer programs such as the Enterprise Development Program, and so on. This Secretariat has been upgraded quite significantly over the last couple of years to help businessmen like you who are experiencing problems that you have just cited.

**Question**

What about the service industry?

**Answer**

No. It does not. I don't know if (electroplating) is service; it sounds like manufacturing to me. That is processing I would have thought.

**Question**

It's not manufacturing; we are just finishing off the part that...



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you are processing it. It's not in its finished state yet. Manufacturing can include assembly, for example, and you are mainly going even above assembly when you are doing that. I'd have thought that you would have qualified. I wouldn't consider that a service, just because you contract your work. You don't actually have to build the chair, just paint it, it is going to be manufacturing. To be certain, you should contact your District Tax Office of Revenue Canada, and they would be able to give you some help.

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Is there a fear that businessmen will wait to make a business decision to see what kind of incentives will come along? Wouldn't that defeat the whole purpose?

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What are you saying. I am not sure. When we talk to businesses, taxes are an important source of cash flow to them. Taxes are an element of the decision-making process. But I would like it to come through loud and clear that business reasons are the basis of whether or not to make an investment. Is there a market for it? Do I need to invest in order to upgrade my product, in order to keep my market share?

In many cases, they said they have to do this work, so the incentives are providing them the financial wherewithal to do the work. So in a sense, even the word incentive is a bit misplaced because what it is a facilitator. It is partly incentive, (we expect it will do more), but it is also just to allow them to be able to finance it.

I would be very surprised if people were that sophisticated. I think government policy moves around sufficiently that you can't bet on the fact that the next tax change is going to be good for you, rather than bad. Also, the cost of waiting far exceeds potential benefit. But there is a more serious answer to the question as well. That is, the concern over certainty in the future. We are concerned that change in itself and the proliferation of different incentives can lead to uncertainty in business, which it doesn't like. They like to cover as many of their risks as possible. That is something we are seriously concerned about in this budget. The changes tend to be structural.

There are some new temporary programs, but the long-term changes are more structural in nature. They try to make the incentives that are there now -- the ones people are reasonably familiar with -- more immediately available to them. There is a concern that too much change is complicating business decisions.



If I should dare bring up the November, 1981 budget, there were some attempts in that budget to simplify the tax system. That got clouded over by the fact that the taxes were being raised, and that specific existing tax expenditures were being eliminated, and the like. In the tax system itself, there was a great deal of reaction to changes to the way capital consumption allowances were treated, and some of the changes in the corporate and personal tax system to make them more closely integrated. The message came pretty loud and clear that uncertainty and those radical changes announced on budget night created a great deal of uncertainty, and that decisions had been made on the basis of the existing system.

Any sort of a move towards tax reform, simplifying the system, rationalizing it and re-examining whether you are delivering tax dollars very effectively, is extremely difficult. It could be extremely well thought out, but the changes and uncertainty such tax reforms might bring about, historically has not been received terribly well. Even in November 1981, or going back as far as the 1970's and the Carter Commission, the tax changes that emanated from that. There was a greater reaction to the November 1981 budget and some of the tax measures that were eliminated. I haven't heard too much commentary that the top commercial tax rates were reduced significantly as a part of that budget.

#### **Moderator**

On behalf of all of you, I would like to thank our panel, and say to them that we appreciate very much your trip down to Hamilton. We hope you have enjoyed your experience in Hamilton; we have enjoyed listening to you and participating with you. Please come back again. Thank you very much.

**Moderator** John MacFarlane, Vice-President, Administration,  
McMaster University

**Panelists** Hugh Young, Tax Policy and Legislative Branch  
David Holland, Tax Policy and Legislative Branch  
Henry Pawlak, Chief Employment and Investment,  
Department of Finance, Ottawa  
Norma Burlington, Economic Programs and Government  
Finance Branch, Ottawa



LUNCHEON - NOON

Thursday, June 23, 1983

Munro:

It's with a great deal of pleasure that I welcome all of you to the second day of this Conference. I'll try to make my remarks very brief.

I want to join with John Agro, in thanking all of the participants: McMaster University, the Chamber of Commerce, Harry Greenwood heading up all the labour people, all who have participated here.

I also want to thank all the officials of the Federal and Provincial Governments, who came here yesterday and today.

We put this Conference together rather quickly, and let me just say when I say rather quickly, some argued that perhaps we should put it off until the Fall. McMaster is having an economic conference, of a more policy-oriented nature in the Fall, and we did not want to conflict with that. But, more importantly, during the summer, there are some drastic renovations being made in our industrial assistance programs . . . of the kind we think the business community and labour want, as far as the private sector is concerned, and I thought we should get this information out now. The Harbour Commissioners underwrote this Conference. We are having all the proceedings recorded and sent out to all those business and labour people who couldn't personally participate here.



I think it will be very useful to the Federal and Provincial Governments, too, to see that some of our Federal policies are co-ordinated and tailored to Hamilton's and the area's needs. The follow-through is as important as the Conference itself, in terms of getting the information out there. I think that we can show that we intend to "move it." Johnny's slogan when he started off here yesterday, was "Let's move it." I can't think of a better slogan. Frankly, I think there's so much going on in our community that typifies that we are "moving it" in this community. I think it's a source of pride, and I think many of the people at whom I'm looking right now, are responsible for that. I like John Agro's slogan, too. Here I am talking about slogans. The "six-and-five" program had a slogan, "We're working together" and Johnny says "we're better together." I'm suggesting that for the six-and-five program too, because I do think it's so true. It is the underpinning to any type of economic recovery that's underway here in Canada. Well, that gives you some idea.

I just want to thank them all for their help; and just one comment before I get on with a very pleasant job for me, and that is to indicate that the Northern Affairs session was competing against some very intriguing panels as far as the businessman is concerned. Not too many participants. I'm talking about the Chamber of Commerce with some Labour people here, taking a trip up to the Beaufort Sea. The fact of the matter is there's over three billion dollars worth of business to be done up there by manufacturers and businessmen of all kinds, in Canada.

Some of my officials were here yesterday. We do approve (and I am responsible for the approvals) all those projects north of 60, and that's where



the activity is right now. It's not in the provinces, it's up there in the Arctic Sea.

Companies are getting computer lists of businessmen in Hamilton, Ontario, and all over, Dome, Esso Resources. There's no question that Hamilton businessmen can share to a much greater degree than they are in that work. I imagine, three billion dollars has been approved in the last few years! We have to get that information out, and we'll try to do so. Just a day before the conference started, ladies and gentlemen, I was in Alberta. I was with the petroleum people, and some Suncor people, the people that head up Syncrude, the Tarsands. There's a businessman out there now. He's the manager and I guess, for O & K, the Orenstein and Koppel Firm, Canada, Limited in Calgary. As the officials were taking me through the Tarsands, they pointed to the wheel excavators, those huge machines that dig out the Tarsands from which they extract oil. They were praising the technology and the top-grade machines. I asked, "Do you know where that came from?" Both the Syncrude and Suncor were praising them for the orders they have placed with them and the efficiency of those machines. It came from O & K right here in Dundas. I estimate the cost of, well, hundreds of thousands of dollars. And they continue to do the service work done there; and more equipment of that nature, out there in Alberta. That's an example of what can be done in terms of sharing these orders by firms in this area.

Well, ladies and gentlemen, pardon the little plug for my Department, but it's irresistible.

Why I am up here, however, is to do a very pleasant job, and that's to introduce to you a member of the important sector of the community that



plays a major role in the economic growth of this country, and this region. I'm talking about McMaster University. McMaster University has demonstrated strong leadership in drawing upon its resource facilities for the benefit of Hamilton, and the broader community, both through its education and training programs, and also through its extensive research activities.

I welcome Dr. Alan Frosst today, in this capacity. I welcome him, on your behalf, in this capacity as Assistant Vice-President, Research Services with responsibility for the Administrative Services which support McMaster's wide-ranging research enterprise. In this position, he has overall responsibility for the University's involvement in research, which includes over \$30 million of research funding.

Dr. Frosst is a graduate of McMaster, with a Ph.D. in Physical Organic Chemistry. For the past thirteen years, he has been a key management person in fostering research activities which now place McMaster as one of the top five. Top five Universities in Canada!

With a strong academic background, and experience in the business sector, Dr. Frosst has focused efforts to the promotion of the University/Industrial interface in Canada and in this community.

Today, Dr. Frosst will address us on this vital ingredient in Canada's pursuit of a truly competitive position in the world marketplace, in recent weeks, many of you have read of him as President of the Canadian Institute of Metalworking. That is a McMaster subsidiary. It will move, this year, to the Ancaster Industrial Park. There it will provide a leading high-technology



ce in computer-aided design and computer-aided manufacturing. This is an important contribution, by McMaster, to this community and demonstrates McMaster's commitment to the future of Canada.

Dr. Frosst serves also as a Director of Nuclear Activation Services, another private sector endeavor of the University. Recognized nationally for his many activities and accomplishments in the Canadian community and universities, Dr. Frosst's interests and efforts in the field of research and development bring to us today a person from the management side of the University with a keen sense of the needs of tomorrow. And may I add a personal note too, that I have talked with Dr. Frosst about his efforts to obtain a positive response from the Canadian Government in many of the activities in the industrial area. I believe that, because of the calibre of this man, the Government of Canada, to an increasing degree, is going to lend its support and assistance to his activities on behalf of industries in Canada. I believe in the expertise he's providing. We will be able to, and are now demonstrating we can, compete with offshore countries, such as Japan. The service he's bringing to Canadians is part of that great institution, McMaster, which is working out a strategy to involve that University in this community, and in the larger Canadian community. I can't think of a man that more appropriately organizes that endeavour. It's with great pleasure that I introduce to you Alan Frosst. You can understand why I take a great deal of zeal and satisfaction in introducing him to you today.

HONOURABLE JOHN MUNRO



Dr. Lee:

Thank you very much, John, I now have to leave; so I turn this meeting over to a person who is probably the best equipped man to run this Conference in the Hamilton area. Before I leave, I want to leave you with one thought. Eleanor Roosevelt, in her autobiography, said that one must never, for whatever reason, turn his back on life. I want to leave that with you, and think in terms of what the future means to this city. Remember, please that the path of the brick wall is to the future, don't turn your backs. God bless you all. I'll see you at the Wine and Cheese party, and then I can wax eloquent because I will be relaxed. Thank you so very much.

DR. A.A. LEE, PRESIDENT OF MCMASTER UNIVERSITY

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Dr. Lee, thank you very much.

Mr. Chairman, Dr. Lee, and ladies and gentlemen. I would like to add my note of welcome to all of you that have taken the time from busy schedules to attend these two days, which we hope will prove most beneficial to the economic growth and development of industry in Hamilton and area. May I also say how honoured I am to be involved in this important Conference, and pleased to receive the invitation to speak with you this afternoon.

Business and industry . . . it's interfaced with Ottawa, with Queen's Park, with the Universities. We don't talk enough about these things, and I think it's very good that we're all going to meet here, or we are meeting here now, in order to address how to improve the interface between ourselves.



In its 53rd year as a member of the Hamilton community, McMaster University maintains a strong profile, not just as of the University in the city but as a key institution in the link which binds us all in this great region. Despite its being a medium-sized institution, its strengths in research, as Mr. Munro pointed out, rank it in the top five in Canada. As such, the University has a deep commitment, both to the community here in Hamilton and to the nation as well as to the world. For with the outstanding resource facilities available at McMaster, the University has an acknowledged responsibility to use its expertise in ways which will effectively serve not only the traditional roles which a university must serve, but at the same time will foster the initiatives which can constructively be promoted to encourage better futures for our societies.

Our world today is facing a period of intense, indeed immense, technological change and our economies are undergoing profound structural adjustment as a result of which we all know that many people who are well educated, and trained, are unable to find suitable employment, or to create a place for themselves, a place in which to grow.

In one sense, we are the envy of other countries because they do not have the wealth of the natural resources, the wealth of the traditions, and the opportunities with which we are all blessed. But in one other sense, this country and the people in it, are faced with a potential life of economic poverty. However, the means at our disposal to overcome these economic problems, the World Bank's Conference is one example which I hope, and I think we all hope, will encourage the improved relationships required for a society's development. It must be to encourage an overall environment which favours new invest-



ment, innovation, and enterprise, to initiate new opportunities which other countries are already capitalizing on.

The focus of this Conference is to help business and industry to better access the sources of support, either through development grants or contracts, or tax incentives. McMaster, as a non-profit institution, of course, is not eligible to benefit because of the tax incentives. We live very much by our wits. Such a large amount of our research funding is derived from government programs. We fully appreciate, therefore, the important need that the dialogue here is going to have for you in industry and business.

As Mr. Munro pointed out, McMaster University's research enterprise is very large, and it has increased four-fold since 1972-3. Indeed, Dr. Lee, you will in fact be pleased to hear this, because it's only been worked out since last night. Since 1978, we have increased 100% to a level of external research support in 1982-83 which is in excess of \$33 million. That constitutes a nearly 19% increase in one year alone! Its commitment and involvement in research can indeed be measured when you consider that these expenditures now constitute some 28% of the total expenditures of the University; and when you compare that with many other institutions in the country, which are able barely to spend 12%. When the indirect cost for faculty salary, the associated expenditures for overhead with the physical plant, the libraries, the computer administration, etc. are paid from the operating income, the real value of the research being carried out at McMaster University this year is in excess of \$60 million. Such a level of activity which involves over 2,500 persons places McMaster really in the realm of a large business.



In a traditional sense, the hallmark of the University's research, McMaster's research particularly, is still the continuing contribution to the vital wealth of knowledge, an asset which this country, as a developed country, must continually build and protect. Some people do criticize a few activities, because of the predominate focus on basic research. But it is from that stock of all of industry from which society at large draws the new technologies, the social understandings, the humanitarian relations. We cannot become dependent upon other nations for the equity of these regards. It may surprise most of you, I am sure, in industry, to learn that the essential efforts in basic research, are, indeed, within the universities. Most industries have very little basic research going on. That strength and accomplishment within the University we must guard. At a time when repeated pressure is being made to re-orient those objectives to suit the immediate needs of industry and society. The continuing pursuit of fundamental knowledge, the creation of new understandings in medicine, science, engineering, social sciences, humanities, are the vital building blocks for tomorrow. Having said that, however, the universities across this country are increasingly aware of their responsibilities to society. At McMaster University, we acknowledge that an important role must also be played in assisting others. With more immediate needs. The difficult part is finding the right blend of applied research and basic research.

McMaster University has a wealth of facilities and expertise, a large amount of which is unique in this area, and we acknowledge the necessity to offer the opportunity for government and industry to be able to access these resources. That is the one reason that we have an office like the one I head. Accordingly, we do promote more applied research in ways which



will allow us to serve the broader community, and I would like to highlight some examples which I feel will be of interest to you.

The University maintains a consulting policy, an effective one for its faculty, in order to encourage industrial interaction. This provides the opportunities for our faculty to be involved in one-on-one discussion and assistance to industry to help them solve current problems. It also affords a desirable exposure for faculty to experience the needs of industry, which they can then draw upon to develop more meaningful course material for the undergraduate courses, and new research initiatives. The industry benefits from the consulting, the University benefits from real-time experience. Extending from these consultancies, we've become involved in large research contracts with government and industry, to carry out specific work which government and industry are unable to do; either because they lack the space or the expertise. Ten years ago, we had five contracts. This past year, we successfully completed some 3.5 million dollars worth of research contracts at McMaster University amounting to 11% of our research activities in the area of innovative and new research, not just simple testing. We doubled our participation with industry between 1981 and 1982.

As a result of the Ontario Bild programs, in two years, McMaster University has allocated 2.2 million dollars of new money into research with specific focus to the needs and economic development of industry in Ontario; and in the same time-frame, a further 2.5 million from the Natural Sciences and Engineering Research Council has been utilized under its strategic grants programs for projects in areas of national concern, biotechnology, communications, energy, environmental toxicology, food, agriculture, production engineering,



means. In conjunction with all of these programs, we maintain a strong relationship with industry, for their people to work on our equipment, or to learn the new techniques, while some of our students and some of our faculty spend time with those companies to gain experience in the industrial milieu and reinforce industry's efforts.

In addition, I am sure you will all be interested that we do employ students as well from the undergraduate courses, and during the summer months, highly qualified undergraduates work in our laboratories on short-term contracts, in an effort, yes, to help with our research, but secondly to kindle interest and of interest that they need in the process of research and development and attract them to careers which serve the needs of industries.

We are all seeking new ways to enhance these efforts. It would be impossible for me to give you even a bare insight into but a handful, perhaps, of over 2,000 research projects which are going on right now. I might, however, highlight for you a few key elements, which I feel will serve to clarify how we foster to build on our strengths. These are through our research institutes.

The Institute of Materials Research involves the work of forty-four people with emphasis on interdisciplinary research on materials, from metals and ceramics to electrical optical devices, with attention to materials characterization, and material preparation. Its combination of specialized equipment, and such capability makes this Institute a front-runner in the country for research in glass science, technology, metallurgy, low temperature work and materials for the micro-electronics industry. Our communications research



laboratory involves the research of nine faculty members, nine research staff, thirty graduate students who work on five mainline programs, satellite communications, signal processing, digital communications, optical communications, and a new area of surface acoustic wave devices. Some of the technology, in fact, which is used to service the ground stations to receive the information from Anec I and Anec II and the Anec C, which was launched just this week, was developed at McMaster. The strong ties of the Communications Research Laboratory at McMaster with the Communications Research Center at Ottawa and serving as well as a national centre of excellence in communications research reinforces its international position.

Three years ago, we established an Energy Institute to foster interaction between scientists within the University and outside the University who are engaged in different fields of study concerning research on reactor systems, solar energy, fuels, and other generation systems.

More recently, we have established the Institute for Polymer Productions Technology, to work closely with industries on projects pertinent to that industry. My highlights today, however, would not be complete without mentioning the two private-sector enterprises which McMaster has created to assist industry in unique ways. One of the things that we always try to do is build on the uniqueness of our resources, and not duplicate what there is in industry right now. Three-and-a-half years ago, we established Nuclear Activation Services to draw upon the capabilities of our nuclear reactor facility to provide fast and highly accurate analytical services for the mining industry. With some specific attention to analyzing for uranium and gold, NAS uses neutron activation techniques within the reactor to analyze core samples



the mining operations for a full range of materials, which include test elements. Compared with the traditional Wet Assay Technique and the x-ray analytical techniques, results from which often require weeks, months, to obtain, Nuclear Activation Services now provides the mining industry with short daily or weekly results, in order that the mining companies have current analysis to guide their explorations. What that in fact is that they can ship to us the core samples at the beginning of the week and we will have them back by the end of the week. That means when your people are out in the field, you know what they are drilling for, and you know what's there; you don't have to wait until next winter.

Finally, as Mr. Munro pointed out, many of you will already be aware of the University's decision to relocate the Canadian Institute of Mining which was founded eleven years ago at McMaster University to a 10,000 square foot facility in the Ancaster Industrial Park. C.I.M. has been developed by McMaster into the leading on and providing of services in such technology fields of computer aided design, and computer aided manufacturing known as CAD-CAM. With this move to separate facilities off campus, C.I.M. will operate fully within the private sector to provide very expanded services in computer-aided manufacturing techniques to support our industrial base in Hamilton, in Ontario, and in the country as it makes the difficult, required transition.

We are certainly pleased with the encouragement and the support which we have received from both industry and government, and perhaps I might just take this occasion to express appreciation again to the Federal Government and the Provincial Government for the \$384,400 grant which has been awarded to C.I.M.



a week-and-a-half ago in support of our building. Tenders are going to close on this building construction Tuesday next; the turning of the sod will take place on Thursday, a week this afternoon at two o'clock, and we anticipate the construction will commence mid-July with occupancy the end of the year.

My remarks so far addressed who we are, and what we are doing. I'd like to finish my remarks, if I may, with some thoughts about some things which we must do better, and I was cautioned yesterday afternoon by Dr. Lee not to commit the University too far. Two years ago last fall, a conference was held between the members of the Canadian Manufacturers' Association and the universities to evaluate the interface. It was interesting that industry's perspective of the universities was such that, by and large, it regarded student education as the looked-for product of the universities. Only as a secondary, and perhaps minor goal, did they look to the universities as a source of research assistance. Regretably, much of the universities' perception, much of industry's perception comes really from people like you and like myself, with children now in the university. We see them attending classes, they prepare lab reports, they write examinations, little different from high-school days. These formalized activities are certainly a key element in the university's life, but they are only a part of the much greater intellectual dimension which constitutes this knowledge industry. This is an interesting point, and one which could spark an afternoon's debate, but I'll leave that for some other time. The critical point however, which emerged, was that the industries really did not know what research capability and equipment existed in the universities, and they had little idea about the expertise. In addition, industries regarded the universities as somewhat suspect and incapable of doing real things, another most unfortunate misconception. On the other hand, and to be completely fair



industries, the universities had little idea about the needs of industry, by a very remote conception about how they might assist industry to those needs. The dialogue, however, that went on for the two days illustrated clearly that the bridge between the two sectors would provide for a better understanding between us and that expertise and needs can be matched up. The challenge, therefore, and increasingly so, is for the universities and industries to meet to discuss and to search for ways that we can mutually support. Through technologically advanced workshops, exchanges, research contracts, joint ventures, collaborative projects, we can reinforce each other's contribution to growth and development. In addition, I'd like to throw a challenge out to industry. Universities across the country continually seek the support of industry, and your involvement in the universities' affairs by asking you to sit on the Board of Governors, and on Advisory groups. It's a rare occasion when the reciprocal occurs. I really wonder how many of your companies here today have university representation on your boards, or involve university people in the technical advisory areas. Such participation and involvement by university people would strengthen the interface, would offer specialized expertise to corporate deliberations and broaden our outreach.

Guarding always, of course, against competing with the private sector, we try not to do, the University can enhance industrial capabilities, yet maintain the traditionally necessary role in basic research. But, as I mentioned earlier, we must always adjust the blend to suit. With governments, for example, we have an avenue through which contributions can be, and are being made. For several years, we have had contractual arrangements with both Queen's University and Ottawa, and indeed, we still participate, and will continue to participate actively in the DSS contracts. Unlike industry, however, which can retain



much of the proprietary rights to the results of its government contracts to be utilized subsequently for commercial purposes, the universities are severely restricted under the contracting conditions, by which the Crown retains all patentable inventions. It is no wonder that the universities are accused, and falsely I might add, that all they can produce under the Federal contracting out policy are bound reports. Of course, we find it exceedingly difficult to justify bringing our expertise and our prior know-how to bear on a subject only to give it all away to the Crown, and have it sit on some shelf, without the opportunity to exploit the results. We can't even be involved in the potential exploitation in the spin-off from that shelf back into industry. In addition, the Federal Government does not make full cost payment to the universities for such work. We have to subsidize it. DSS operates, believe it or not, under a 1967-68 costing arrangement which provides the university with 30% overhead. I wonder how much overhead Dofasco has as a basis of its research? I might point out that we have found it very worthwhile as well, to participate with industry in these kinds of contracts, but again, there is reluctance, because the universities do not benefit from other proprietary rights. To draw most effectively on the university's strong abilities to enhance the commercial sector, these constraints must be removed, and I offer here the challenge to government and Ottawa to amend its rules so that the universities can better serve the Canadian scene.

If Canada is to achieve a strong position in the world marketplace, we must move ahead together with new ideas, new initiatives, new enterprise, and a renewed confidence. More as partners within the community, with an outlook that will continue to reinforce the traditional and necessary roles which we all must serve, but with a conviction and a commitment to participate actively



renewed enthusiasm for an improved Canadian enterprise. McMaster University be doing its part. We welcome you, the neighbours in government and industry to join in, enthusiastically, in promoting an economic future.

Thank you very much.

A.C. FROSST

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The man who will thank our speaker is known to all of you, I think: John Sheppard, Vice-Chairman, Finance, at Dofasco. John is a tireless worker on behalf of this economic and social community. I'm sure he's touched the activities of all of you. It's a pleasure to give him to you now.

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Sheppard:

Thank you, Dr. Lee. If I'm a little thick in my voice, I was at the breakfast this morning, and I'm still frozen, so I'm not sure whether I bit my tongue, my lip, or ate my lunch.

If any of you are ever invited to go on the Board of Governors of the University, don't do it unless you've got about twenty-four hours a week to spare, and want to have your whole life broadened. I've had the opportunity, which is rare, really (because there aren't many governors who come from the business community) to have been on the McMaster Board for the past few years. It's hard work; it's time-consuming, but it's given me an appreciation, and I



guess I've lived longer than any of you in the room, and been around this town a lot longer, an appreciation of the academic community that I certainly didn't have despite the fact that I have children in academia in both high school and university level, as teachers and researchers. But it's opened my eyes to a whole spectrum of Hamilton and McMaster as part of Hamilton. Unfortunately, if you think about it, there's only one street that leads from McMaster into the city of Hamilton, and that's part of what has been wrong, but let me tell you that the University, and Dr. Alvin Lee, and his associates have been using that street quite regularly to make sure that you know that they are part of the community. I think today, that we have had the rare opportunity of listening to a man I've learned to respect over the last few years, Dr. Frosst, who has given you just a touch, tip of the iceberg, of what that institution is all about, and what his life work means to him and to you. On your behalf, may I say, thank you very much, Alan, for a very delightful fire.

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John Sheppard:

I understand that you don't reconvene until 2:30, and I have to fill in the rest of the time, even with a frozen mouth. Incidentally, we do have an academic on our Board of Directors, Alan, in the little outfit I work for, Dr. John Evans, and he adds a few things from time to time. What I did want to say to you today, though, is that I wanted to pay tribute to a man who's politics I sometimes hate, whose ideas I sometimes abhor, and whose lifestyle I don't particularly admire all the time, but a man who I have learned to come love, and you've heard the other side of him in the press, but the man who instituted this function was the Honourable John Munro. Let me tell you that



every ounce of energy he has to the detriment of his health, his pocket-  
his family and everything for this community. He's a man with very deep  
ssion; he's a man of undoubted integrity, and I never doubted that, even  
e days when everybody was trying to dig dirt, and thank God he won that  
but let me tell you that every moment of every day, he's working on  
behalf, and it was his idea to have the Advisory Committee at McMaster to  
at the N.E.E.D. grants. It was his idea to have this Conference, and he  
d to us about it and I said, "John, no way, if you are going to make it  
f those other Liberal desk-pounding things; if you get all levels of  
nment in, and let the people really see what is happening in the Feds, in  
io, in the region in the province and the region and the city", and he did.  
itting for the last six months with this Committee under Dr. Craig McIvor,  
ng with Dr. Alvin Lee, I've learned to appreciate the Harry Greenwoods,  
I really didn't know; Bob Stanbury, I won't say anything about him, I  
him too well; but I want to tell you, it's been a fascinating experience  
e how all segments of this community operate. And I have the Mayor, the  
nal Chairman, Gordon Dean, and everybody else who has been working together  
y to make Hamilton a better place for all of us. I don't think that all  
em none of them, have anything else to do in this group, they are giving  
eir time, much more than they have; and I know Dr. Alvin Lee doesn't have  
pare time. I know Harry Greenwood doesn't; I know that Bob Stanbury  
't, but they have been out there at every Friday afternoon meeting and they've  
ogether this Conference. I think Jack Price takes a lot of, should take a  
f, credit for the work. I'm sorry that there wasn't enough notice to get  
ger attendance. I hope you appreciated it, when you fill out your  
ionnaires, you will tell them honestly what you think because I can tell you,  
ave tremendous resource in these people working together for your community



and please use them. If you want another conference, I'm sure they will have it for you. Thank you very much.

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Dr. Lee:

Thank you very much for those thoughtful and generous words, John. There is no one in this area who has worked harder than you for the west end of Lake Ontario.

That concludes the luncheon formalities. You have a bit of time to mill about before the 2:30 panels begin. I hope you can stay for the whole afternoon, including the closing remarks, and Wine and Cheese reception later.

Thank you very much.



SUPPLY AND SERVICES

MODERATOR: Mr. Don Glennie, Purchasing Agent, Stelco,  
Hamilton

PANELISTS: Mr. Norm Bradford, Manager, Purchasing, (Ontario  
Region), Supply and Services  
Canada, Toronto

Mr. Frank Haskett, Supply Liaison Officer, Toronto

Mr. Pierre Major, Chief of Purchasing, Ontario  
Region, Toronto

Mr. Bruce Findlay, Manager, Purchasing, Supply  
and Services Canada, Burlington.

Thursday Afternoon, June 23, 1983



SUPPLY AND SERVICES

Well, ladies and gentlemen, I think it is time that we commence our session this afternoon. My name is Don Glennie. I am Purchasing Manager of Stelco, and I will act as your moderator this afternoon. The subject, as we all know, is Supply and Services. Basically, we are going to hear from four gentlemen representing Supply and Services Canada, the Department of the Federal Government which purchases the supplies for all of the various branches of the Federal government. I would first of all like to introduce our four guests.

On my immediate right, Mr. Norm Bradford, who is Manager, Purchasing, Ontario region, Supply and Services Canada, based in Toronto. Next to him, we have Frank Haskett, Supply Liaison Officer, also based in Toronto. Next to Frank is Pierre Major who is Chief of Purchasing, Ontario region, again out of the Toronto office. And to my extreme right, Bruce Findlay, who is Manager, Purchasing, Supply and Services Canada, based in Burlington, Ontario at the Center for Inland Waters. Mr. Bradford, as our first speaker, will introduce the subject which will be followed by a short film. Norm has suggested that to get the most out of our workshop this afternoon, we would encourage questions and open discussions, from the floor. As we go through the afternoon, jot down your questions so that we can get into them after the initial presentation. I would like now to ask Norm Bradford to speak to us. Norm.



BRADFORD:

As Don has suggested, we would like to keep this as informal as possible. We go on and talk and talk about the department, nothing really will be decided. I will give you a brief run-down on the department, specifically about our Ontario region operations and then we will have a brief film which will also give you some highlights of the department. We will then go into a question and answer period.

We operate out of a headquarters in Hull, Quebec, just across the river from the Parliament Buildings. Most of the major purchasing for the Federal government and any major projects are handled out of our headquarters. Of course, the rest of the headquarters elements are there. Besides that, we have seven regions across the country. We are the Ontario region, the Ontario region being that part of Ontario roughly between Belleville about halfway along Lake Superior; the whole center part of the province. The other portions are capital regions and the Northwestern part of Ontario which is looked after by the Manitoba region. Overall, the Department of Supply and Services buys about six billion dollars worth of goods and services for other Federal government departments. We actually buy very little for ourselves. Regionally, across the country, we spend in the neighbourhood of one hundred million dollars per year, with about one hundred twenty-five million of that being handled in our offices here in Ontario. As Manager of Purchasing, I am in charge of what we call our Commercial Acquisition covering the day-to-day off-the-shelf requirements of most Federal government departments. The biggest department that we have is the Department of National Defense. It makes up about fifty percent of our business. Our Commercial Acquisition is at our headquarters in Etobicoke. Pierre Major is the Chief of the Purchasing group there. In addition to that, we have



Bruce Findlay's office in Burlington, an office in London, one in North Bay, one at the National Defense Base in Downsview, and another one at the atmospheric headquarters in North York. In addition to that, at our Etobicoke headquarters, we have three other main purchasing groups; a science group that looks after Research and Development contracting, an EDP group which looks after things like electronic and data processing, and a marine and industrial machinery group that looks after the purchase of industrial machinery and ship repairing around the Great Lakes. As I said before, all totalled, we do somewhere in the neighbourhood of under thirty million dollars worth of business per year. Not a great deal of this is done over in the Hamilton area, mainly because there are not any Federal government departments here; however, Bruce does buy in the neighbourhood of two million dollars worth of goods and services for the Canada Center for Inland Waters. Shipbuilding looked after by M and MPC, is a fairly substantial part of the business done by the Ontario region. Unfortunately, we could not have a representative from there here today. The "Icebreaker", a contract that was just completed at Port Weller, was placed by our headquarters in Hull, but the administration of the contract and the main inspector on the whole deal, worked out of our office. In the EDP area, we're rapidly expanding. In Ontario, the EDP organization has only been here about three years and they have expanded the processing business out of Ontario's region from somewhere in the neighbourhood of threem million dollars in 1980 to in the neighbourhood of the 20 million dollars they expect to do this year. Science has even been there less time than that, but their Research and Development business being done in the Ontario region has been expanded tenfold since they opened up two years ago. I think that is just about all I can give as a



run-down. More detail, as I said before, would be really very interesting. I think we'll run our film now.

The slide show that you just watched is getting to be a bit out of although as far as regional operations are concerned, it is more or the same as it always has been. Our department is in the middle of a horrendous reorganization at our headquarters. Although the names of the groups and things along that line have changed, we are still doing the same things and as far as regional operations are concerned, there is not back, in fact, there is going to be a large increase in the business we do on a regional basis. As I mentioned before, we are in the neighborhood of 900 million dollars regionally across the country now. Our target now, this year, is to increase by 250 million dollars, which will bring it well over a billion dollars, and when you take out the major projects that are going on such as the fighter aircraft project, the frigate project, and things like that, it means a big portion of the Federal's business, day-to-day business is being done on a direct region basis. So, I think with that film I'd like to throw the meeting open for questions. I certainly don't have all the expertise here to answer every question, but I will try to give you the best we can on anything. It doesn't really matter what you ask ... how to become listed DSS, if you are not listed ... how to check out your listing if you are already listed ... what type of contracts are being bought in the region or anything else you would like to ask. I will try to answer them.

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MODERATOR:

Norm, if I may start off with a question. Do you want to explain being listed? You're saying being listed with the department. Could you elaborate on that point?



NORM BRADFORD:

Our business is done from a source listing system that we maintain. We have a rather elaborate computerized source listing in Toronto for Ontario region. They also have the same thing in other regions. Our headquarters has a master system for across the country and we do advertise in certain instances. The majority of business is done on the basis of invited tenders, taken from those lists of firms who have indicated that they want to do business with the Federal government.

Q. All I really want to know is when you ask to be listed on the entire list that you carry, how can you ensure that for the number of commodities that in particular you would be selling, you would be on all possible lists for the range of materials? Can you get a copy back indicating the number of lists you are on, or for those commodities you are listed for?

A. We hope that when you come to us that you will give us something, either a list of your products, or a copy of your catalogue or whatever, and tell us everything that you have. We then put it into our system and we are in a position with our computerized operation to give you a copy of what we have you listed for. In our headquarters in Hull, in the master listing they have, many thousands of different commodities are listed, a breakdown like you wouldn't believe as to what you can be listed for. If you tell us what you want to be listed for, we will make sure you get listed for that.

Q. So we can obtain a list from you and check off what we are interested in putting on?

A. That's not quite so simple. We would prefer you to tell us what you can supply, and we will try to get you into that area. Unfortunately, the computer listing that you would be asking for in order to check off is about



thick. We have a copy in our office. We would be glad to have you in and have a look at it, but to provide one would pretty much be an impossibility. It's too extensive.

Could it be done, say on the basis of maintenance supplies, etc. and commodities listed under that sub-title?

We could attempt to do something along that line. When you say maintenance supplies, what area are you talking about?

We get into the line of bearing seals, gaskets, areas like that. There's a full range; in many cases, descriptions can be very misleading because technology varies in the industries.

Do you assume that you are in the distributor area rather than the manufacturing area?

A little bit of both.

On a regional basis, we go for much more general lists than they do at headquarters. We don't go for the elaborate breakdown. We would probably make a suitable list to put you on to the cover at least, a large portion of the items that you provide, and you might receive some tenders that you may not have any interest in, but we would sooner send you more tenders than not enough. And, as I say, we do not break down to . . . to use, for example, bearings. The balls for bearings, the rings for bearings, and so on, we don't break it down into those individual items. But in our headquarters, where they deal with manufacturers mainly, they do go that far.



Q. The other things I wanted to find out is when you list, you say list with the regional office, does that entitle you to quote for other regions or is that ....

A. Generally speaking, we try to do business with business firms in the area where goods are required so that if you wanted to be listed for Ontario region, we would list you. If you were operating in the Hamilton area, we would list you for this area here. If you have operations in other parts of the province, or other parts of Canada, then you are perfectly entitled to be listed for those areas also, but, generally speaking, the listings from one region do not overlap into another region, simply because of what we call our area buying policy.

Q. Okay, good. Thank you.

Q. Do you purchase mainly manufactured goods, or do you also purchase manufacturing services?

A. It is quite a mixture, especially in the regions. We buy a multitude of goods and services. Almost anything you can name we probably get involved with. We buy from fairly elaborate pieces of laboratory equipment down to things like janitorial services to clean buildings; repairs for vehicles, repairs for almost anything you can name. Does that answer your question, sir?

Q. Yes. In the area of disposal, for example, Supply and Services no doubt own trucks and cars. Do you dispose of your own vehicles, or does that go through Crown Assets Disposal Corporation?



Crown Assets Disposal Corporation has just recently been made part of the Department of Supply and Services. You will still see the name Crown Assets but it is becoming strictly a head office policy making operation. The former Crown Assets office in Mississauga is now the assets disposal operation group of Supply and Services for the Ontario region.

Supplementary to that, you people probably have your own repair facilities for vehicles, like army vehicles, Department of Supply and Services vehicles, that sort of thing.

The Department of Supply and Services does not have that sort of repair facilities so any repairs to our vehicles are done outside. In the Department of National Defense, most major bases do have the facilities on site and they do a major portion of their own repairs. With other Federal Departments, it varies, depending on the concentration of vehicles. The Department of Transport in a big location like Toronto, at Toronto International Airport, have their own repair shops. The RCMP in Toronto have a large concentration of vehicles. They do their own repairs. Most government vehicles are repaired outside. Even though the Post Office has some repair facilities, the major part of their repairs is done outside the facilities.

The reason I asked that question is that the company that I am with specializes in rebuilding, refurbishing and repairing of heavy duty trucks. We also do a very substantial amount of business buying older trucks, repairing them, rebuilding them, rebuilding the cabs, rebuilding whatever is necessary for putting them back on the road. I just wondered if there were some main spots you should contact if you wanted to buy vehicles like that?



A. You should contact our Assets Disposal, or our Disposal Operation Group

Q. From the Department of Supply and Services?

A. The Department of Supply and Services. Their office at the present time is in Mississauga. Have you ever had any dealings with Crown Assets? The former Crown Assets office.

Q. We made an application and put our name in as a prospective bidder and we did get one inquiry on it. We also are listed with the Department of Supply and Services in Toronto, but I just wondered with the change whether ...

A. Well, the change is even though they have been made part of our organization, their operation should vary very little from what it was before. They certainly do sell vehicles for all government departments. That happens to be one item that is concentrated in their hands. Most of the heavy vehicles that you would be talking about are National Defense vehicles. To be perfectly honest with you, I don't know whether they ever contract out the rebuilding of a vehicle. I know that National Defense do have a re-lifeing program, especially for military pattern vehicles. But, I do believe a lot of that work is done in their own workshops. They tear them right down to the chassis and rebuild them. And that's probably the business you are in as well.

A. Yes, that's right. I can only say I don't think they can do it as well as we can.

A. That's a possibility too.

MODERATOR:

Can we have more questions, please?



BRADFORD:

We have a chap here from French Canada. Anyone have a question  
him in French?

My question is in regard to government departments - let's say Crown  
corporations which are not under the Supply and Services Canada. How do  
operate or how does one go about dealing with such departments or  
an operation? To be specific, let's say the Post Office, or Hydro,  
hospitals in Ontario, that sort of thing. They apparently are independent  
as their decision-making process.

Some of the Crown agencies can utilize the services of our department.  
Bank of Canada, CBC, the National Arts Center, even recently Canada  
was using the services of Supply and Services for their goods. As  
as giving details as to how your company would go about dealing with  
specific agencies, they have their own tendering procedures and you would  
directly to be put on the source list if you were interested in  
meeting some of their requirements.

The impression I had is that they are very independent. They don't,  
the case of the hospitals, follow or aren't under the same guidelines  
other government agencies.

Like when you are talking about hospitals, okay ...

As a consequence, they have the procedure, let's say, or the guidelines  
Supply and Services have in regard to bidding on a contract is not the same.  
are confined to that information whether they should or not bid certain  
cases or ...

You mean, are you saying why are they not using our services or why ...



A. No, I want to know where can one find those guidelines, being an independent operation where can one get that information?

A. It's too bad that you weren't here two years ago, right in this very center when there was a large gathering sponsored by the Provincial Government. Most of the school boards, hospitals, Ontario Hydro, our department, and a few other Federal government departments were represented at a one-day seminar where you could actually talk to as many of those groups as you wanted. They all do business in a very similar way to what we do but as you say, they do it on their own. Hydro and the school boards and hospitals really come under the control and the regulations of the Provincial government, and you really have to contact each one of those individually because, to my knowledge, each hospital has its own purchasing organization, each school board has its own, and I certainly know enough about Ontario Hydro to know that they have their own organization. In Ontario, it's probably far bigger than our operation.

Q. I'll elaborate on this further. In an organization of this sort, such as the school board, are there some general guidelines beyond their own that they must follow?

A. They must adhere to Provincial government guidelines, yes. And the provincial government guidelines are not that much different than ours.

Q. And that is also something that is available for one ...

A. That's true.

Q. Through which agency?



you wanted to give me a card, I would be glad to get the names of that you might contact at some of these organizations. I can't to the school boards over here in the Hamilton area, I'm just not ar with them. I could certainly get you in contact with somebody at o Hydro, or someone in industry and trade in the provincial government they could give you some of these guidelines.

know in Ottawa they have their own upholstery service. I was just ing about the rest of the area?

their own upholstery service, the Federal government? I don't exactly ...

ll, they have a chap under contract in Ottawa.

ay, that's probably as a result of a competitive process where one y was awarded a contract of what we would call a standing offer. lly this would have been handled on a tendering process where that as selected as a result of competition so it's not that the Federal ment in Hull or in Ottawa selected one particular supplier to do their upholstery work.

see. So, in other words, it is tendered out.

s, it would be.

at about provincially? Anybody ...?

again, can't speak for them but knowing the way they operate, I'm certain it would be tendered out as well. You're talking about for work?

s.



A. I'm almost certain it would be. We certainly tendered it out in Ontario region Supply and Services. I think all our regions work basically the same on that. There are probably several contracts in the region for upholstery repairs with a major operation such as the Canadian forces base probably having a repair contract down in Trenton, for instance. I'm sure that we have an upholstery repair contract as well as repair contracts for other types of furniture with a local man down there to do their work.

Q. What about ... how would one go about getting on this list for the tender?

A. As far as we are concerned? You have the forms at the back there and the booklets. If you complete that form, send it to us in Etobicoke and we will make sure you are on our computerized list so when the tenders, the opportunities come up, you automatically get a chance to bid.

Q. Thank you.

MODERATOR:

Norm, on that point, another question. You said automatically. Does the department require any qualifications before a supplier is accepted on the list or is it automatic?

A. It's not 100 percent automatic, but we ask you on the form for certain information about your firm, depending on the line of work you are in. For instance, we would spend a lot more time verifying the qualifications of someone in the meat packing business than we would for someone in the upholstery repair business. If you are a legitimate business operating in Hamilton, or any other particular locality, we may or may not send someone around to look at your operation. What we quite likely would do if we get



to the place where we are contemplating contracting with you because you bid on something and you are the low bidder, we would have somebody one of our offices, or somebody from one of our customer's offices may happen to be closer, drop around to see that you do have the facilities that you told us. Just to get listed depends on the type of business you are in as to whether or not we do a complete check at that. We certainly do complete checks on anything that involves the health of people we are buying for. When I talk about meat packers, dairies, anybody involved in the food industry, they have to be pre-qualified before they can bid to us. This is not so in the general line of business, and as far as just the straight supply of goods is concerned, it is mainly that you are in business in the area where we want to do business, because if you don't have the goods, if you can't supply them, we are not going to stay on the list very long.

The Provincial government are involved in agricultural research and like the Vineland Station or Vineland Station with the research center. Does the Federal government have something along the same lines like in agricultural green-house growing?

They most certainly do. There is a Federal government establishment in Vineland Station. There also are several others around the province. There is one down at Harrow near Windsor, there is Smithfield Experimental Station near Trenton. They also have several laboratories. There is a big lab in London. They have quite a large number of establishments for various branches of the agricultural industry and they do research and there is research conducted out for those organizations as well as for any other Federal government department involved in scientific research.



Q. The part that's contracted out, that's on the research end only, or is the supply of services or growing material in those centers also contracted out

A. That varies from department to department. My recollection of agriculture for instance, is that we do very little contracting out of research for them. Mainly what we do is buy goods. But certainly with other Federal government departments, especially at places like Canada Center for Inland Waters, Burlington, Atmospheric Environment people in Toronto, we buy a lot of goods from them, but we also do a tremendous amount of scientific contracting where the scientific work is contracted out to universities, individuals and other research organizations.

Q. I have a question here. I think a lot of people in business feel intimidated by approaching the government for tenders because you are always talking about \$90 million or \$100 million, and I think that is intimidating for smaller companies to even try to offer their services or feel that they are qualified to offer something that you need.

A. Would it help you if I told you the \$90 million that the Commercial Acquisition people bought in Ontario was made up of some 39 000 purchase documents? Doesn't make for a very big average contract. We certainly do handle the odd large one, as high as about two million dollars, but the majority of our business is down to less than \$10 000 with a good portion of it under \$5 000.



s, and I guess too, at the same time, one of the reasons for our success in the Ontario region is to try to support small local trade that exist and like Norm said, the highest percentage of our contracting contracts well below \$10 000. So, most of our business is going to retailer, wholesaler, and some manufacturing plants, but a lot to retail industry.

I think in the last, year, something like 15 to 20 percent of the contracts that we placed were less than \$500.

Because of its low dollar value at times, we don't always send out tenders for a lot of this business. It is done by phone, with direct quotes from the companies. We do a lot of small dollar value business.

If you wanted to make a representation to the company about a particular product or a particular way of doing something that was quite different and unique, something which you'd have problems getting competitive bids on, what avenue should you take with the government in order to make your representation?

It depends a lot on what it is you are trying to sell. If you are just trying to sell what I would consider commercially available goods, day-to-day requirements, and you may have something a little unique about your product, then if you were to come to us, we cannot actually sell the item for you, but we can give you guidelines as to what departments might be interested. If we can sell at the grass roots level that particular product, then they will requisition on us to buy it. If you are getting into something a little more unique in the area of brand new ideas, then you are probably talking about something that's getting more into the science area, and the department does have what they call the unsolicited proposal avenue. If you have an entirely



A. That's exactly right.

Q. If I take Mr. Conneti's idea this would apply for, I would assume any new product or new service that has never been around, or an idea that has never been around. It would be the same procedure. One would contact Supply and Services Canada and the interested parties could negotiate it.

A. That is correct, yes.

Q. If a situation like that occurs and you know the interested parties are in the government, not Supply and Services but a specific department, what process do they use as far as once you have dealt with them, they are interested. What is the procedure that they follow?

A. What that department would do if they were interested in your product is that they would raise the requirement specifying what this piece of equipment was and at the same time, they would probably recommend your company as the source. It would be up to our department to really decide if this piece of equipment is to be obtained on a sole source basis or, if in fact, we know of another source. So, they have to first initiate the requirement and we are more like a reacting department to their requirement.

If you had actually something very unique and you were looking for some help in developing it and you got to a department like that, the first thing that they would do is come to us because there is a fund available to help them fund whatever it is you want them to develop. And it's a shared cost deal where that department only has to come up with half of the cost and Supply and Services comes up with the other half out of the unsolicited proposal fund.



that you think the government might have a use for, you can submit a proposal to do that. Our department will look for another department they feel might have a requirement for that item, or might be interested in developing the idea for general use by the public and a contract arrangement made out between you and the government to actually carry out that

were doing business presently with the Ministry of Communication and Transportation which is another government level. We have a maintenance contract for vehicles that we are featuring to them right now, but they don't find a competitive bid for that. What then is the procedure? Can something go through without a competitive or how do you go about the ...

I don't know what Transportation and Communications would do about it, but certainly if what you had to offer was something that the government wanted, they would negotiate a contract with you. It's just a little different than a competitive bid in that we have certain constraints that we put on the profits you could make and your overhead. As Dr. Frosst mentioned upstairs, we use an out-dated method of determining overhead but there are many firms that are interested in doing business on that basis. We don't mainly have methods of negotiating those contracts that would get around any requirements for a competitive bid, but only if they exist. If they don't exist and we require the service, we negotiate with you.

So step one is to come to you, and you put us in touch with the ...



Q. Do they become part of this new arrangement or not?

A. The other department? Yes. They certainly do. We end up sponsoring a portion of the cost to do the development for them through a firm such as yourself.

Q. I don't know. Maybe I am a tiny bit out of line here, but my company has been approached to supply stuff to your agency. Nine times out of ten, it's not in our line. If it is in our line, perhaps someone will ask for a quote on 20 feet of wire. The wire we sell is very highly specialized and not something that everybody on the street would use. For example, we have a minimum order which is \$35. For that \$35, if someone had put on the request for a quotation that they would like the maximum amount for the minimum order, they might get 15 pounds, which would approximately be a 15 year supply. But still, that's how much we would sell to anybody else for this minimum order. So I guess I'm just beefing about a tiny bit of waste. As far as being asked to quote on things that are within our product line, that may be right. Could we eliminate this by sending our brochure so that we would only be contacted for those things that we really do sell? Would that help?

A. As I mentioned earlier, regionally we are not quite as sophisticated as our headquarters and we have some difficulties breaking things down into detail. But certainly, if you provide us with a list of the products that you can handle, we will do as much as we can to stop sending things to you that you are not interested in. As far as small quantities of things are involved, you would be surprised at the number of requisitions we get for ridiculous quantities, or ridiculous items, and we don't put anything about minimums or maximums on them. We leave that up to you to tell us what the



minimum quantity is that you will sell or what your minimum size order is or  
 over, and we will certainly consider it on any basis that you want. If  
 wanted to say that you are going to pay for five pounds even though you  
 wanted one pound, we certainly would consider it on that basis and  
 other terms you want to write in there. We will give them every consideration  
 we can.

We are all in business to make money and if I can sell one pound for  
 really the onus is not on me to tell you that you really could get 15  
 pounds, especially if this is a repeat thing and I'm only selling one pound  
 four months for \$35.

Just remember, we are spending your dollars.

Well, yes, but ...

You are going to make a profit but you are helping to pay part of that  
 for yourself and I think if you help us a little bit, maybe we'll end up  
 helping you in the long run.

Very good.

ATOR:

I have another question. What is the departmental policy on the  
 "Canadian" question?

It's a very complicated part of our business in some ways. Not so  
 regionally as it is at our headquarters. But, we certainly do give  
 preference to Canadian goods as much as we can and still fall within any  
 international agreements that the Federal government may have. When you get



involved in large purchases of goods, we run into the general agreements on tariffs and trades and other international agreements that Canada has signed and we must abide by those. Depending on the department that the goods are required for, and the amount of goods involved, we do actually advertise from a regional office on an international basis through the Canada Gazette. But generally speaking, in our day-to-day business we apply the normal Canadian content rules that the Federal government uses. I believe the Provincial government uses, and many other lower governments as well, a similar formula and that is why, first of all, we only invite Canadian sources. We do not invite American sources. When I say American sources, I mean foreign sources and when I say foreign sources, I mean off-shore sources. I don't mean firms, legitimate firms of a foreign nature, who are doing business in Canada. But we only invite Canadian-based firms to quote on our requirements on a competitive basis. We do have certain items that we have to buy outside the country, but when competition is involved, it is firms based in Canada against other firms based in Canada. Depending on the size of the order, we don't get involved in every \$350 order in foreign goods. As soon as there are over \$5 000 involved in a buy that we are making in the Ontario region, we ask the firm to provide us with the form and content in their bid. If they are quoting on a product that is made in Canada, to compete against a product that is being imported, then the firm in Canada gets the benefit of our "Buy Canadian" policy, which gives them the benefit of a percentage of the foreign content that is involved in the other firm's bid. It really boils down to the difference in foreign content being a credit given to the Canadian manufacturer of ten percent of the foreign content in the other firm's bid to "Buy Canadian."



u mean ten percent higher?

will pay ten percent of the difference in foreign content to buy  
an. And in effect, what it does is add ten percent on ... if a product  
percent foreign made as opposed to 100 percent Canadian made, it  
we will add ten percent of the cost of the goods on to the foreign-  
products when we are assessing tenders.

, if the foreign product happened to be low, we would add ten percent  
ir unit price in order to assess their bid?

he was still low, he would get the contract. If he wasn't low after  
that ten percent, he would lose the contract.

the American product subject to customs when they are selling to the  
ment?

s, provided there is a duty on that particular item. The duty is  
ered to be foreign content even though the duty is placed on the  
an side. In other words, if you bring in an item that is worth \$100  
ere is a 25 percent duty added on to that item, that duty is considered  
foreign content in a bid to us. And I believe the Provincial  
ment uses a very similar formula. Does that explain ...?

s, it does.

e tenders good for one year, or ...?

depends on the particular tender. Many of the agreements that we have  
one year, but we also place many contracts on a one-shot basis.  
even have a few that are two or three years in length;



So, if it's a requirement where Fisheries and Oceans would be requisitioning on a regular basis rather than sending in their requirements once or twice each month, they will ask us to have this open contract that will last us for a year and we know to deal with this firm for that period of time that the contract was made for.

It could also be that the manufactured goods you are offering may be something to that department that they have only shown a need for in the past. It doesn't mean that if you have only dealt with Fisheries and Oceans in the past and if it comes to a point where other departments want what you offer, when you are listed with us, you will get the opportunity to bid for those other Federal government departments.

When you talk about a form, are you talking about a tender form or are you talking about an application for a source list?

Q. An application is what we filled out first and then we got the tender form.

A. Are you saying that the application listed the different departments?

Q. It pretty well said whether you could go just in Ontario, or out of Ontario, or Provincial, or whatever.

A. Where did you get that form from?

Q. From DSS.

A. In this region?

Q. In Toronto.



the only things that we have on our form that would indicate area is whether you are looking for a regional listing or whether you are looking for a national listing. We don't list anything by department.

It was pretty well never tendered the way that we proposed it. We had gone into Fisheries and Oceans with a proposal that we felt had something to it and we wanted to take the right steps to set it up. We took the following steps and proceeded with Fisheries and Oceans which, as I think you can back up, worked out very fine.

Well, sure!

We know the other divisions of the Federal government use the same needs. They may not be for a ship, but for a lift truck, and their requirements are the same all over. Rather than buy new, you buy re-manufactured. That's the idea. So, we wanted to make sure that we could get on ...

Are you a re-manufacturer?

Yes, we are.

And you have dealers around the province?

We have ourselves in Hamilton.

And you sell everything direct to the end user?

What it would be is to take your own vehicle and drive. What kind of vehicle do you drive?

A Chev.



Q. Okay, you drive your Chev and the starter goes. We can take that starter off, or you can deliver that starter, or we can pick it up, re-manufacture your starter and put it back on.

A. You do it on an individual basis rather than a mass produce basis where you have it out with the automotive dealers.

Q. The other way we do it is like it's special ... like ships aren't that common, but Ford or Pontiac will build their units. It's on an assembly line type of thing as well, retail and wholesale, but we specify other services for special needs, like Fisheries and Oceans, or lift truck companies or even whatever.

A. But this depends a lot on the departments that are actually doing their repairs because you certainly wouldn't expect somebody from North Bay to come in to your place to get something rebuilt. They would either have to order the starter from you and have it shipped to them for their own installation, or they are going to end up at one of the local automotive dealers buying a rebuilt starter.

Q. That's right. But, if it's with a local, you can find a lot of companies going to a bulk-order purchase order, or a blanket order type of thing, where they have tendered a certain item at a certain price and you know that if it's an emergency, and you have to go local, you are paying a higher price. This way, we can keep the cost down because it increases our volume and therefore our profit doesn't have to be that high, according to where the margin is.



but then at times, you know you are talking about buying certain goods in an area where we may end up having to pay more, that's true. We don't buy something at the lowest price. I mean, it all comes under the notion of best value, where, you know the reason for us to be located in an area like North Bay, is to try to support the local trade that is there. So, it is very true that when we do buy something or get something, it may not always be at the lowest price.

But I know that a lot of the equipment that you have is a specialized type of equipment. For instance, a ship. If we do a starter on that and the vehicle doesn't go, that's where we get a technical error, but it's a very touchy subject. We wanted to get into the other end of it as well, along with other divisions.

Well, if you are listed, and we have the requirements, you should get a chance to bid. But, I think that you are, in a lot of cases, running up against something that is just impossible to make happen simply because of the small number of vehicles and the fact that when that vehicle is broken, whether it's a starter, generator, or regulator, or whatever it happens to be, it goes into a local garage and whatever the best arrangement can be made with that local garage, is the way things have to be done. We're not in a position to buy those individual parts. If we had a warehouse where we were able to stock those things, an arrangement could be easily worked out. But, we do not get into that type of business and I think that's what most of the business is that you are talking about. This is the way it is going to happen.



Q. Okay. My second question is, "Are you aware of the term UPS - Uninterrupted Power Supply?"

A. Yes.

Q. The government has a requirement that back-up batteries or emergency batteries have to be in clear cases. I'd like to know why that requirement is there.

A. I have no idea, not the slightest. I wasn't even aware that that was the case, but obviously you would know that.

Q. They submit a tender requesting batteries to one company and to another company. They come in with the batteries. The batteries are both basically the same price, give or take a dollar, but one is in a clear case and one is in a black case. They say that they can't see the acid level in a solid case. I understand that now they have an adapter that goes on top of the battery with a little orange float in it that shows the level of the six cells, or whatever cells it is, and it stands out like a sore thumb. That didn't interest them. They wanted to be able to see into the battery. I'm not being cynical, but I can't see anything in the case but the battery even if it is clear or if a cell or plate is separated.

A. I know what you are talking about, but I really don't think I'm competent to answer on that. Is this a Provincial or a Federal government regulation?

Q. It's a Government, Provincial ...



I have an idea who might involved in that particular area. Is it Ontario Hydro by chance?

Any company, any government ...

No, but is it Ontario Hydro that sets the regulation because they do, or they do a lot of inspection of electrical equipment and you talking about electrical switchgear here.

It's just something that has always been. It has always been there.

I'm sorry. I don't have the slightest idea. The best way to find would be find out whose regulation it is and talk to them.

Nobody knows. It's a government regulation.

Who tells you that it's there?

When it comes to the tender, that's when it comes out. Everything is until that last step when they ask if it's a clear case or a solid

Have you ever supplied any of this equipment or quoted any of this equipment for the Federal government or is it mainly with the Provincial government organization?

Provincial and Municipal.

I think that you are going to find that it's probably a Provincial regulation and I haven't the slightest idea why they would insist on that you're ... unless they have some idea that a visual look at the is going to be better than a float because the float could leak break down.



If it were a requirement coming out of the Federal government, or our office, we would be able to tell you who is asking for that, and ...

Q. We've just been told that it's a legislative requirement.

A. Well, if it's a legislative requirement, it's got to be somebody's regulation, and whoever is enforcing it should be able to tell you whose regulation it is.

Q. Regarding your stand-by batteries or back-up batteries, have you heard of nickel cadmium?

A. We buy them. With a huge operation like that in the underground at North Bay and in the NATO headquarters ...

Q. They're mostly steel cases.

A. I have never heard of this requirement before. I never have. I don't think we put out anything where we would have a requirement for see-through cases.

Q. That one was in Halifax, where I think it was Federal.

A. That would sound like a Federal requirement.

Q. I wasn't tendering on that one at the time, but it also came on that tender there which was in Halifax. Okay. Thank you very much.

Q. If you ever come across one like that again, especially if it is a Federal government department, get a hold of us and we'll try to find out for you.



Under your export markets, under your department of course, does this involve supplying Canadian government offices in foreign territory, or does it also involve supplying foreign governments with goods they can't purchase elsewhere? Just what is involved there? I haven't had a chance to ...

Our export contracting people are there to buy for foreign governments who want to buy something in Canada. The different government offices outside the country are supported by their own departments through an organization such as our own Commercial Acquisition or Electronic and Data Processing, depending on what is required. We do buy to support the National Defense Base in Larem, West Germany. We also buy some supplies to go to other D and D bases around the world simply because most of the goods are flown out of our region from Trenton where the main transport command base is. Other departments who are buying goods for embassies, External Affairs. Most of that purchasing is done in either our office in Ottawa or at our headquarters in Hull simply because that's where external headquarters are and they arrange the shipment from there. The export contracting group in the department are specifically there to buy for foreign governments who wish to buy in Canada.

Does that involve mostly big equipment, or are there commodities involved, just to have an idea?

I'm not that familiar. Pierre, are you familiar with what they buy?

No. I think overall I would have to agree with you that it's probably larger requirements where these foreign governments would approach our government department for us to invite bids and find Canadian sources for some of their requirements. The large percentage is high dollar value for that type of requirement.



Q. Well, that tells me what I wanted to know. Thank you.

Q. When you purchase a service, would you supply the materials and we supply the labour, or would you want the whole composition?

A. Depending on what the service is, most of the time I would have to say that the supplier would be the one supplying.

Where we have a long term project such as when government buildings are being built and it may be going to take three or four years to build the building, major components, such as generators, large air-conditioning units, and things along this line may be pre-purchased by the government. This is in order to make sure that they are available to the general contractor, when he gets to the point of installation in the building. The government will pre-buy those items, storing and supplying them as a free issue, or telling the contractor what the item is worth and his including that in his bid.

MODERATOR:

Going back for a moment, Norm, to the question of government's buying goods for sale for foreign countries. I happened to see a television interview early this week with the new President of ... I'm not sure whether it's CIDC ... I probably have the initials wrong, but, basically, she's heading up the branch of the government that administers aid to the Third World countries and, of course, the dollars involved there are rather immense. I found it interesting that she made it quite clear that in transactions the government doesn't give any cash to these



d World countries. It's all in the form of Canadian goods and services and I guess my question is, is it that branch of the government contracts for those goods and services to be given to the Third World countries?

Well, that's either CEDA or the Canadian Commercial Corporation, where that section that would probably tender for that type of requirement. I would have to say that it is a division or branch within the government Department of Supply and Services.

Oh, it's a division. So, they would operate in the same way with tendering and regulations?

Yes.

Because there must be a large potential of business for the Canadian business community in that field alone.

Yes. Some of the Canadian Commercial contracts are very significant and it does represent billions of dollars.

All right. Thank you.

I've got a question that's kind of simple. When it gets into involving specific quotes for a given product, a lot of times, in the marketplace, there are various substitutions for the same product that will do exactly the same job. But, sometimes, as you may know, there can be quite a price discrepancy. If such a product is called up on a quote, what is your stand as far as accepting an exact equivalent that may possibly be quite cheap, quite a good amount cheaper than the product called for?



A. More and more ... I think if you have seen some of our tenders that have come out of our office, you will see that a lot of times, we will call up an item and we describe it by trade name. But beside the trade name ... we will put ... or equal. We will then go on to say that accompanying your bid you should provide us with some literature or some information as to how you feel the product that you are offering, is in fact, an equivalent product. What happens a lot of the time, is that we will get some companies that will bid on an item which will do, in fact, everything that we've asked for, but it's not an equivalent substitute, but an inferior substitute which may be to our advantage to buy. If that is the case, and we do end up with this company that had quoted on what they have felt was their equivalent substitute, yet not meeting the complete specifications, we will notify our customer and make them aware of this new piece of equipment. If they feel that they were probably overstating or asking for something beyond what was required in the item, it may be a case of where we would have to recall bids and get everybody quoting on the level that was offered. So, we would not simply accept the lowest price if it was in fact an inferior substitute that didn't, in fact, meet our needs.

Q. So, you act as a purchasing agent for a group of other Federal departments but it actually goes back to the Federal department that wants the merchandise to decide. If the product is acceptable, then I take it.

A. But, if it is a case where the supplier that has quoted on this equivalent and can prove to us in the literature that he is providing just as good as what we wanted, then our department can still make the decision on behalf of the customer's department and say "yes" and award you the contract if you were, in fact, low.



Many of the products that we distribute or represent, i.e. packings, rings, etc., are all manufactured to the same specifications, usually of the same steel, etc. In fact, numerous times, you have exactly the same product by various manufacturers. One of the problems we have is you have a policy and many times, the distributor won't be asked to quote. The quote is being sent straight to the manufacturer. Therefore, as a distributor or agent may possibly buy far larger volumes and could offer you a better price, we don't even get a chance to see the quotes because they go directly to the agent who believes they represent maybe ten or 15 ...

What you may wish to do in that case is to contact the manufacturer. I don't know if this would be the case with what you are selling, but the manufacturer could actually advise us that if we have had the requirements in the past where we have been sending the tenders to them, that they would prefer to have them sent to their distributors.

Yes, but they may not really want to do that, because as a distributor, we can, and usually do, represent ten or 15 different companies with the same commodity.

Then they can't say, "O.K., just go to that one there." I guess the example of that is 3M products where at times, we will invite 3M as well as some of their distributors. It's true that some of the distributors, because they have bought in much larger quantities than what we've shown in the tender, could actually beat the manufacturer, the retailer at times, at a lower price than what the manufacturer will. So, it's very possible, at times, that we will invite the manufacturers along with the retailers or resales.



Q. O.K., because I see it right here in print on your form that you state that you may not possibly send a distributor or agent the quote if it is going directly to the manufacturer. And, I know we have missed out on a lot of quotations that I have seen later in print published in your monthly paper. We have not even received the quote, or we have been able to quote on it, and probably, in a lot of instances, given better pricing.

A. So, in that case, what you may wish to do is to contact our office and make us aware of that particular requirement. Maybe we can do something for future bids and include you along with the manufacturers.

Q. We've called in a few times and said, "Hey, why don't you give us a chance to bid on this, but each significant time, if we've represented the certain manufacturer or whatever, the manufacturer gets the quote because we are listed as a representative of that manufacturer and we don't even see it mentioned. I was wondering if there would be any way around that totally?

A. If you're talking about seeing these in the bulletin, the weekly bulletin of Business Opportunities, you're mainly talking about a lot of bigger contracts in those cases and it's problematical as to whether or not you could really compete with the manufacturer when you start talking about something that is fifty or one hundred thousand dollars.

Q. No, that's true. But, if you represent for instance, one of five manufacturers and are working with all of them, many times the trade name is called and you won't get a chance to quote on it because you are listed under the same trade name. But, in fact, there are three or four other manufacturers



you also represent on their behalf, who have possibly not gotten the  
 e because their trade name was not called up. You could quote on their  
 lf and in fact, be lower in your price ...

Yes, that's possible.

RATOR:

Well, we are getting towards the close of the session, although we  
 l have ten or 15 minutes left. Further questions?

The impression that I had is that there isn't too much co-operation  
 een the Federal and Provincial level. Is there a similar set-up on  
 gional basis for the Provincial government?

On the contrary, I wouldn't say that there is not co-operation between  
 two, but, we don't do any purchasing for them and they don't do any for  
 I'm not exactly sure how the Ontario Provincial government is set up  
 regional basis, although I do believe that they do have offices around  
 Province with varying degrees of responsibility in the purchasing area.  
 big difference between us and the Provincial government as far as pur-  
 ing is concerned, is the fact that we are a centralized purchasing  
 cy for the Federal government. The Provincial government has a so-  
 ed centralized purchasing agency, but it doesn't do much really in  
 way of centralized purchasing. The Provincial government has something,  
 30 different Provincial departments who do their own purchasing. This  
 not exist in the Federal government. It's quite a different operation.  
 provincial government departments do their own purchasing except in  
 very specialized areas. They have some co-operation on certain items  
 are largely used by several departments. Other than that, instead of  
 centralized agency doing the purchasing of that item, it's usually the



biggest user who does it. So, if Transportation and Communications happens to be a big user of automotive tires, they may buy the tires for several other departments, or they may not. It just depends on whatever arrangement they have been able to make. It's just a much looser arrangement than we have.

Q. Assuming Transportation would use those tires, would Transportation, Provincially, ask for them from Supply and Services, "Can we have such and such tires?"

A. To my knowledge, there is no connection at all between us and them. We do co-operate in many things. We co-operate in many industrial shows; they hold them and we partake and we hold them and they partake. But, as far as actual purchasing, there is no co-operation if you want to put it that way, between the two governments.

Maybe the only one that I can think of that may be considered co-operation is where we tender for heating oil on a very large requirement and they piggy-back on our system. So, we are the ones that award the contracts and the Provincial government take advantage of the contracts that we put out for heating fuel.

We don't actually do the purchasing for them, but we do do the tendering procedures and then they take over from their end and arrange their own contracts.

MODERATOR:

At the table at the back of the room, there are three documents ... the Supply Center Directory, Selling to Supply and Services Canada, and the application form for source listing. So, if you haven't picked these up prior to coming into the room, you may do so on your way out. Do they



ire any comments, Norm, is there any ...

BRADFORD:

I don't really think so. The one booklet on Selling to Supply and  
Prices, explains basically how we do business. A lot of the same things  
 have already told you this afternoon. The Supply Center Dictionary  
 is our organizations right across the country and I might tell you that  
 you are a manufacturer and you have a product to sell to the government,  
 should make sure that you are listed at our headquarters in Hull. You  
 also get listed at various locations across the country, however, as we  
 regionally try to buy in the area where the goods are required. If you  
 t actually have facilities there, whether you are a manufacturer or a  
 tributor, especially if you are a distributor, they will probably tell  
 that they are not going to list you in that area. You will have to  
 de for yourself whether or not it is worth your while to go that route.  
 I think came out before, with the size of the average buy that we make,  
 are not likely to have the supply center in Vancouver come to Hamilton  
 Toronto or anywhere else down here, to buy an item that's available  
 a distributor out in that area. So that booklet is there, but, you  
 ainly can make use of it in any way that you want in order to contact  
 of those other offices. Many of them will turn you down if they have  
 al competition. The other form is a questionnaire form where you can  
 y to be listed with us. There is a spot on there where you can check  
 whether you are interested in a national listing as well as the  
 onal listing. If you check that off as "yes", we will provide you with  
 proper forms for you to send to our headquarters in Hull and they will



list you on a national basis. But, again, I should warn you that they mainly list manufacturers. The prime source for most of the goods bought on a large contract is Canadian manufacturers. I think that's about all.

MODERATOR:

Thank you, Norm. Well, at the outset of this panel workshop, we suggested that in order for it to be successful, we required your questions and I must tell you that you did an excellent job. The questions have led us, I'm sure, to a better understanding of what we have to do in order to sell our goods and services to the Federal government. On your behalf, I would like to thank our panel, Norm Bradford, Pierre Major, Frank Haskett, and Bruce Findlay for being with us today and elaborating on the task of doing business with the government. Thank you very much, panel members.

NORM BRADFORD:

Can I just make one more point? If you have any specific inquiries about business that you may have done with the government or that you may have done with Bruce Findlay's office, don't hesitate to grab him before he leaves here. Don't hesitate to ask us about it. You will find our telephone number listed in that directory and we will be happy to talk to anybody anytime if you would like to give us a call. We'll straighten everything out for you.



HOUSING

MODERATOR: Tom Cochren, President, Hamilton Home  
Builders' Association

PANELISTS: David Croley, Housing Analyst, Canada  
Mortgage and Housing Corporation,  
Hamilton

Roy Holmes, Manager of Program Design for the  
Ministry of Municipal Affairs and  
Housing

Thursday Afternoon, June 23, 1983



HOUSINGMODERATOR:

Welcome to this session on housing. My name is Tom Cochren. I'm the President of the Hamilton and District Homebuilders Association, HUDAC, here in Hamilton, and I am going to moderate this panel for you this afternoon.

Basically, it's very simple; we're going to present programs from two levels of government - from the Federal Government, by CMHC, and from the provincial, through the Ministry of Municipal Affairs and Housing. We have two gentlemen who are going to come up and speak to you. It's a rather open format this afternoon. We are going to entertain questions from the floor. We'd like to have some dialogue, perhaps some mingling afterwards on a one-to-one basis, or, if you would like to talk to me, to see how the industry is responding to some of these programs, or how we feel about it.

Perhaps you have read some of the publicity recently, we are not always in favour of government involvement in housing; but then, on the other hand, in certain cases, there is definitely a need. Witness the provincial programs that ended at the end of December last year, and the \$3 000 Canada home-owner stimulation plan. Those programs not only helped the housing industry get back on its feet, to get moving, but it also helped to create an awful lot of jobs. New housing, for every new housing start in Canada, approximately 2.6, 2.7 man-years of employment are created, and certainly that's why the Government feels housing is very important in our country, and certainly in



se economic times.

First of all, I'd like to introduce, from Canada Mortgage and Housing, Dave Croley. David has a M.B.A. in Economics from the University of Windsor. He is a housing analyst. His employment has been with financial institutions. He is a researcher on economic topics for M.P.'s and Senators. In the last six years he has been with CMHC, the first two in Ottawa, and in the last four years, here in Hamilton. His responsibilities focus on providing expertise on local market conditions, to the branch staff, and the public. We get very involved with CMHC here, locally. We have an excellent liaison, Dave comes to our Sales and Marketing Council on a regular basis, and he is the author of what has become known as the Croley Report. So, would you please, come, please, Mr. Dave Croley.

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DAVE CROLEY:

Ladies and Gentlemen, I have some overview comments prepared today. I wasn't quite sure what the nature of the audience would be today, and what I wanted to hear, so what I have attempted to do is prepare some general comments of an overview nature. What I would really like to see us do is, perhaps, get into talking about some of the things Tom mentioned: the future of the industry, some of the broader types of questions that, perhaps, we can benefit from your thoughts on, as well as your receiving some information from us.

First of all, on behalf of Federal Housing Minister, Romeo LeBlanc and the officers of Canada Mortgaging and Housing Corporation here in Hamilton, I would like to thank the organizers of this conference for providing space and time for us to come and meet with you, and share the information we have on our programs. The goal of the session is to provide a forum where people



can get together and exchange ideas; something we do on a regular basis with specific sectors of the industry that we have most direct contact with, that is realtors, lenders, lawyers, builders, and so on. It is a pleasure to be able to come here and give a presentation to a group with, perhaps, a little wider interest. I guess I would be remiss if I didn't thank the Hamilton Harbour Commissioners for their efforts in putting this conference on.

I attended some of the opening sessions yesterday, and I was impressed with the level of enthusiasm shown by the people attending; and the people from government putting them on. I felt that they were making a sincere effort to respond to the needs that people have for information, and I hope that you will respond to that kind of need if you have it today. I should say, for those of you in this room, and I see one or two familiar faces, but not all that many from my regular contacts in the Hamilton area, a bit about what Canada Mortgage and Housing Corporation is, and what we do, or attempt to do. It's the federal government's crown corporation which has as its mandate to administer programs under the National Housing Act. To meet this responsibility, the Corporation maintains a network of field offices across Canada - there are about 84, I think about 17 in Ontario. These offices, and there is a sheet at the back giving the local office address and telephone number and some of the individuals involved, these offices, it is their job to respond to publics I have mentioned - realtors, lenders, builders, as well as the general public, housing consumers, with regard to the programs we offer and the services that we can make available.

First of all, I suppose I should mention our role as a loan insurer, which is really the role that CMHC started out with in the early '50's, when mortgage funds were not willingly committed to residential construction



the part of lenders and CMHC entered the picture to provide guarantees  
 lenders to ensure against default on mortgage commitments. Since 1954, the  
 Corporation has issued something like \$50 billion worth of guarantee funds.  
 the end of 1982, I think there was approximately \$30 billion of insurance  
 standing, so that activity of mortgage loan insurance, protecting lenders  
 against borrowers who may default has, I think, been an important contribution  
 the history of Canadian Housing policy and to the Corporation. Last year  
 insured over 86 000 dwelling units in Canada, worth almost \$830 million; we  
 administered a large portfolio of existing mortgages, \$10.4 billion at  
 end of 1982; we also had a number of other operations. I don't want  
 boggle your minds with a lot of large numbers, but it is a very substantial  
 . I think in the last year or so, we have come to people's attention  
 for the special economic stimulative type of measures that we have  
 called upon to provide by the government. But we've always had that  
 as mortgage insurer and I look on that still as our fundamental business.  
 I must say that in 1982, in our departmental role for responsibility of  
 administration of grants and loans and subsidies, and so on, in various  
 provisions of the National Housing Act, the Corporation committed \$1.4 billion  
 across Canada. As I said a lot of this money last year, and into this year,  
 has been directed into stimulating the economy. I would like to try to  
 put some of these numbers into local context to give you an idea of what  
 levels of assistance, what levels of assistance we are providing here in the  
 Hamilton area. In 1982, locally, under our mortgage loan insurance provisions  
 of the National Housing Act, we insured about 2 100 dwelling units in our  
 local territory, worth about \$76 million. In the first five months of this  
 year, we have almost surpassed that total for the entire year of last year.



As of the end of May, we were up to almost 1 900 units, and over \$70 million of loan insurance, in addition to that \$29.5 billion, or whatever it was that was outstanding against Canada at the end of the year. This increase in insured lending activity is, of course, directly attributable to the declining interest rate that has occurred in the last few months as a proved access to the affordability for home ownership on the parts of a large number of Canadians as well. We have the grant incentive, the \$3 000 contribution, that I want to talk a little bit about later. I think in both these cases, though, we have seen purchasers coming back to the market with more equity than perhaps they put in in the last three or four years and I think that's a good indication of the fact that even higher equity purchasers need mortgage loan insurance as something they need, through their lenders, with which to come to the housing market.

I don't know how many of this crowd are interested locally, but we do also acquire units through default on mortgages, and I should say that our local experiences in the past five or six months have been very low. The levels of defaults on mortgages has been as low as it has been in three or four years.

We are also selling units out of our real estate holdings locally on a regular basis and I don't know whether anybody has seen the larger newspapers today yet, but Century 21 Complex which is our most visible holding in our local mortgage insurance portfolio is on the market for sale again. A national proposal call is now out, and we will be looking for investors to acquire that project and put it back in the private sector, so that's something that's very new this week.



I think I should return really to the couple of programs that I mentioned briefly in passing in my opening remarks, and those are the new programs that were initiated through a couple of budget measures last year and continued this year, directed towards stimulating the new housing sector of the economy to provide starts both for the ownership and rental side of the market, to encourage further renovation activities in the existing stock, to buy these stocks to try and provide and keep increased employment levels in the construction industry. I think the impact of these is fairly substantial; it's a little hard to quantify it in detailed terms, but the \$3 000 program in 1982, I think, can amount to 4 000 units in our administrative district at \$3 000 apiece, that's quite a contribution to the area homeowners wanted to buy last year; and Hamilton - Wentworth alone accounted for about 1 000 of that total, so it was focused very much within the region of Hamilton - Wentworth.

As of October, of course, there was a further infusion of funds into the Canadian Home Ownership stimulation plan, and more people were allowed the opportunity to take advantage of that \$3 000 grant. Although we don't have the figures, yet, for what has happened this year, the final total will be substantial, and I think one indicator is the new level of new housing starts. The first five months of this year is tripled what it was the same period last year for single family, so that certainly indicates to me that this program, and I think builders are to be congratulated too for responding to this kind of demand with products so quickly, but it indicates to me the relative impact these measures are having. I think that has helped very much with unemployment.



As I said, the 1982 program also covered existing housing units and was backed with some funding from the provincial government by way of interest free loans. I think that kindled the resale market activity of late 1982, which has carried over into this year and provided a very active resale market. I know, in May, I think there are over 900 units sold in the territory served by the Metropolitan Hamilton Real Estate Board. That to me, is indicative of a very healthy real-estate market. I again, would attribute the grant stimulation, in part, to a revival in the resale market. More people, of course, are involved in both resale and the new market. The overall effect is cumulative and is leveraged to that extent.

In the rental sector, I wanted to mention the Canada Rental Supply Plan which really goes back to the November budget, and which offered some interest-free loans for 15 years to developers of rental projects. Locally, we have committed over 310 units under that program to the City of Hamilton, and construction has begun on those units. Again, this has been very important to the construction industry, the subtrades, the suppliers, and all the people involved with residential construction. I think one area that's caught a lot of attention this year has been the Canada Home Renovation Plan which is still available. This is the program that aims to encourage people to improve their existing residences through repair and improvement. This program has available some forgiveness, which is earned over a period of one year. The purpose of the program is really to stimulate employment, so one-third of the total cost must be contracted labour; it's not a do-it-yourself program; you can't buy materials and do the job yourself. You have to use a contractor. There is, as I said, forgiveness earned over the year period -



tax free and in 1983, so far, we have approved about \$2.1 million locally for this program, about a million of that is in the City of Hamilton, so I think the impact of that program through 1982 and into 1983 has also been substantial.

In the other area of repair and renovation is the rehabilitation program that we have had for a number of years called the Residential Rehabilitation Assistance Program. It is administered on our behalf by the municipality, in Hamilton's case, the City of Hamilton delivers this program for us, but that program is also available in certain designated areas of the city to encourage people to undertake more fundamental types of repairs such as structural deficiency of other types of health and safety deficiencies. Our experience under that program, in the last few months, has been very good. Forgiveness is earned by the people applying for the grant and receiving it depending on their family income. The forgiveness level was stepped up during the last few months, so take-up under that program has been very high this year, and again, I think we are getting into a situation (we are dealing with some of the other speakers) that funds are running out on some of these programs because they have been so successful. The RRAP program in Hamilton will again commit about a million dollars in that program to the City of Hamilton. Those two rehabilitation programs are fundamental.

The final thing I wanted to mention in terms of special programs is the social housing programs. I see Mr. Cochren mentally wince as I mention that, but, as many of you know, we have a mandate through the National Housing Act to assist Canadians who, through no fault of their own, are incapable of earning sufficient income to buy housing services in the private marketplace. So that, we have non-profit housing sponsored by non-profit agencies,



co-operative housing and municipal non-profit programs which are very heavily involved. Basically, federal assistance in all of these socially assisted housing starts occurs through the first mortgage loan; 100% of the first mortgage loan is insured by us. It's not like there is a homeowner going in and asking for mortgage loans insurance, we require a certain percentage of equity be put in by the homeowner ... which is different than the non-profit and social housing programs. One hundred percent of the first mortgage loan is insured. We also offer annual operating assistance for the life of the first mortgage which, in effect, writes down the mortgage rate to as little as 10 percent. These measures are substantial; demand for funds is great. We have groups on stream and backed up for several years into the future. Our local commitment, this year, will probably be about 12 projects in the territory, probably about 60% of those in the City of Hamilton. That only gives about \$24 million worth of capital works by way of new buildings being constructed and call for annual assistance of the life of the first mortgage of \$2 million.

These commitments, I might say, are in addition to ongoing commitments we share with the province under share-cost programs under federal-provincial arrangements, and also as well as previous compliance under these programs.

The ongoing thing in the social housing programs is substantial, and it's something that's in our financial statements. If anybody wants to look at it, it's a large sum of money. The other thing I do want to mention in our area, one that I don't think enough people know about, is our sponsorship of various research activities designed to improve our knowledge of housing issues and community development issues. We have a mandate, under the section of the National Housing Act Part 5, which allows us to fund



arch, either in-house, or through external resources to improve basic knowledge of housing conditions, housing characteristics in the country, this information, the studies, and a lot of it is technically related energy efficiency. I know we have done some work with the local steel companies insulating steel stud walls, and this kind of thing. There has been a lot of technical work done. That information is available to the public; it's available through Ottawa, if anybody wants to get information that they can either contact us in the local office, and we will try to keep you in touch with who has it, or a list of what it is. But, by any means, there is a tremendous store of technical and more general types of research on housing demands and supply issues available through our national office in Ottawa. I would encourage people to try to take advantage of it.

We have lists of publications available in our office. I think, then, these are the highlights that I would like to make about the local housing market. The government of Canada, through CMHC is trying to use the provisions to the benefit of all Canadians and our clients, both individuals and to some extent, businesses, can be assured that when they call people myself, or others in the office, they are going to get a sympathetic and active response to your questions, your need. Tom, I'd like to turn the matter over to my colleague in the province, and then maybe we can entertain some general questions.

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RATOR:

Dave, before you go, you mentioned a number of programs. Would anybody like to direct any questions to Dave now about any of the programs he has outlined, or the function or role that CMHC plays?

There are some sheets at the back, and they have a program summary; so



we can encourage people to take some of those, and look and if they have questions, ... I think we have a question.

Q. To encourage renovations, do you finance a certain amount of them?

A. Basically, the Canada Home Renovation Plan is a forgivable loan in a sense, a grant which is available to people who want to reside their house, reroof their house, and so on. The applications are available from our office. All you have to do is contact us. Don't do any work first because we want to look at it before you start work, and when you are done. The idea is that you pick up an application form, and you can earn forgiveness, depending on your family income. If it is over \$48 000 a year for the family, unfortunately, there is no subsidy, or no forgivable part of it at all. If it's under that, there is, providing you are willing to spend \$2 500 at least on the renovation, and providing you are willing to contract one-third of it out, so that the contractor gets the work, then that program is available.

Q. You can get your own contractor?

A. Yes you can, and I think the Hamilton Home Builders' Association has a list of contractors prepared.

The program applies to single family residences, owner-occupied single family residences, so it would apply to the owner's portion of a duplex, or something like that. I don't know that we've had that many duplexes, triplexes, things like that, but there are other things available, like the RRAP program, if you are in the correct area of the City of Hamilton that you can use on multiple dwellings. The CHIP program, for updating insulation, a number of these programs are available, and so it's just a question of finding out; but it would be for owner-occupied dwellings. Forgivable is based on your family income and the fact that you stay in the house for a year.



RATOR:

Fine, thank you, David, if there are any other questions that come to  
 , pertinent to the programs or housing, or you wonder why certain things  
 't happening in our area, and they may be happening in Toronto, or  
 ary, or Vancouver, please feel free to ask those questions afterwards.  
 aps I should mention it's the Honorable Romeo LeBlanc, **Minister** of  
 ic Works, who is responsible for CMHC in Ottawa. At Queen's Park, it's  
 Honorable Claude Bennett, the Minister of Municipal Affairs and Housing;  
 the province has also been very deeply involved in housing right across  
 province. You may recall the Ontario Mortgage Corporation, the Ontario  
 ing Corporation, and now, I think, the direct involvement is through the  
 rio Land Corporation, probably one of the largest developers in the  
 ince right now. Here to speak on behalf of the province, and outline  
 r involvement, it's not just directly through land, but also through  
 ing renovation and a great many other areas, and our provincial organization  
 C Ontario liaises with the province and that particular Ministry.

We are pleased to have Mr. Roy Holmes with us today. He's the  
 ger of Program Design for the Ministry of Municipal Affairs and Housing.  
 o July of 1982, he was responsible for the delivery of housing programs  
 outhwestern Ontario, and since, then, he has been responsible for the  
 lopment of social housing programs. He has a very interesting presentation.  
 d you welcome, please, Mr. Roy Holmes.



ROY HOLMES:

Thank you, Tom, thanks ladies and gentlemen, for being here. I am here this afternoon, representing Len Pitura who is the Assistant Deputy Minister of Municipal Affairs and Housing. He deals with housing programs. What I would like to do this afternoon, is to share with you something of the perceptions that we have in the Ministry of Municipal Affairs and Housing; of the concerns and issues that we are facing today. These aren't the same that we faced ten years ago.

I have some slides which, hopefully, will serve to direct some thinking on where we are today, and where we expect to be tomorrow. With me, this afternoon, is Carol Pizzarey, who is acting manager of the Hamilton branch office. She is here just in case anyone here has any questions that might relate to the local operations of OHC, how they operate, how they do business, and if there are any local issues which she might be better informed on than I am.

Changes in the housing market. As I said in the introduction, the housing market has changed. It's dynamic and these are things which we have to grapple with, because the way we do business now is not the way we did business 15 years ago; and it may not be the way we do business five years from now. The major issues in the housing field, as we perceive them, are vacancy rates in rental housing. That's not just in Hamilton, this is province-wide. For example, we all know in the Windsor area, that there is a considerable higher vacancy rate in the past couple of years, than say in Hamilton or Toronto, but by and large, low vacancy rates in rental housing



something we have to cope with. Now, we all know that with rent control  
 escalation in place, a lot of people are getting the advantage of low  
 rents. Rent control makes it easier for some people to maintain low rents,  
 not for everyone. The people to whom we cater we call social housing  
 tenants, are still having it difficult to cope with rental rates. What we  
 talking about is difference of degree. For example, rents are a lot  
 in Hamilton than they are in Toronto. Uncertainty in the whole market,  
 has been brought about by the escalation in interest rates which we saw  
 a few years ago. We mentioned in '81 through '82, people stopped buying  
 houses, so that there is that general uncertainty. Things have improved in the  
 last little while, but we don't know that they have reached the point where  
 things were back three or four years ago. Conditions of existing housing  
 is something we should take a look at. For a very long time, through  
 the '60's and the first half of the '70's, we all seemed to be preoccupied  
 with building new stuff; building new houses, new office buildings, new roads,  
 subdivisions, and it was only in the late '70's or the early '80's that  
 we got around to recognizing that perhaps that isn't the answer; and  
 now we ought to be paying more attention now to conditions of the existing  
 housing stock. Maybe we ought to be doing something about maintaining that stock,  
 rebuilding that stock. You heard David refer to the programs, such as the  
 program which provides assistance to people who repair their homes.  
 The province runs a program that has a similar objective, called the OHRC  
 program, the Ontario Home Rehabilitation Program. It's because of these  
 programs we need to have the existing housing stock maintained, we need to  
 rebuild it and so we have to be concerned about the condition of the  
 existing stock.



Use of the Existing Stock. Some of the difficulties we have to look at there may be overhousing. There is existing housing stock out there where, perhaps, people may have raised their children, the children have moved out, and they have four- or five-bedroom homes that they no longer need, but that they still continue to live in. Sometimes they are unable to take care of these homes in the way that they should and so the houses rapidly deteriorate. We want to look at use of the existing stock as well as to see whether there are things that we can do to improve conditions there. Changing economic and demographic environment ... that's a reality of life. The economic downturn that we had in the past couple of years, that some keep calling a "recession," although in my opinion what we have had could go as a "depression," has caused us to reflect on what we are doing, where we are going, and how we are doing business. Private sector as well. But more importantly, I think, it has had a substantial effect on our perceptions and social values. We don't know, now, whether the people for the two-car garage, the 60-foot lot in suburbia are what life's conditions are all about. Perhaps there may be a value streak again. We need to be concerned about that. The demands of housing can vary significantly over time, precisely because of these changing imperatives. What studies have then shown us is that there are certain things happening in society that we ought to be aware of. If we are going to be designing programs, we ought to be aware of where we are headed. Now, what we can see here is that between the period of 1971 and the year 2001, there is going to be a considerable change in the patterns of growth. We expect to have 475 000 more senior citizens, that is to say, persons over 65 years old, in Ontario in 2001, than we have in 1981. Now, that represents something in the order of about



% increase in persons 65 and over. We, in social housing, consider senior citizens persons 60 years old and over. If you are to use that figure, then it would be considerably bigger than that. Well, that has to tell us something. There is going to be an increasing proportion of Ontario's population that is 65 and over, and the reason for that, those are both gaining at the expense of persons 0 to 24 years old. What we have is a negative growth of 666 000 in the year 2001.

Now, we've all heard that the population is aging, but this is a graphic illustration of the kind of patterns we are going to be looking over the next 20 years or so. As I say, again, these things by themselves don't mean much; it's what we do with this information that is going to affect the directions that housing takes in the next few years. It comes from the household-forming age groups.

Now, of course, if the character of the population is changing, that's going to have an influence on what we do for housing. Now, during the period of 1971 through '76, something in the order of 25% growth in the age group 25 to 34; in the household-forming group, that is the prime household-forming group there is a growth of something in the order of 12½% in those 15 to 24 and very substantial growth of something in the order of 15% of those 65 years old and older, in that five year span.

That sort of balance is maintained with a decreasing basis over time, to the point where we are going to have a negative growth in the household-forming groups 15 to 24 during this particular half decade, '81 to '86, precisely because of what we just looked at awhile ago here. This bunch is declining so there are fewer of them to form households. Perhaps there are other influences too. If they can't get jobs, then they don't leave



home as early. So, who knows what the actual will be. There are a number of things, but the fact is, that there is a reducing proportion, a slight rise again near the end of the century, we are generally speaking of a reducing proportion of young people leaving home to form their own households. And even the prime household forming group between 25 and 34 is showing a steady decline; so indeed; those 65 and older, except perhaps for a bit of an aberration around 1991 or thereabouts. So, where all this is taking us is that there are going to be fewer and fewer traditional household groups, households as we define them now. Here is a quick snapshot of the decade '71 through '81.

In 1971, fully 51 percent of households were families with children, in Ontario; in 1981, that was 42 percent. Couples and singles is where that was picked up. The same decline here was interpreted as an increase for couples and singles. It shows changing lifestyles. More people live independently now than they used to; more people live alone. More women are living alone; more women are working ... more women living independently as households. More single males. So, that is happening at the expense of conventional and traditional families. That is a pattern.

In our opinion, what it is telling us, is that the size of the product, the size of the housing product unit, is something that we ought to be looking at, because surely if we are moving down in terms of families with children, then the interpretation of that is that we are going to have to build smaller units. The rental versus ownership equation has to be looked at. Again, conventionally, Ontario has had, perhaps, 75 or 85% ownership as against 30% rental; but with smaller households who are not



lies, but adults living in the tenant group, adults without dependents perhaps choose rental, but this again, is going to be emphasized about the way they live; are you going to live in the suburbs. We don't think so, we think in urban areas. If they are going to be living in urban areas, is it reasonable to expect that they are going to need large units? Maybe not. Can they afford large units? Certainly not in Toronto, these days. So that says, that we ought to be looking at the balance between ownership and rental. When I say "we", I am speaking on behalf of the Minister of Municipal Affairs and Housing, but I throw it out to any of you here who might be in the development or building business, that perhaps you ought to be concerned about that too.

So here is an illustration of Ontario in 1981 - 25 percent of households are non-family households. Now, family here is not necessarily just a family with children that we looked at in the previous slide, but any family unit, that is to say two people living together without kids. So, those households in Ontario that were not a family unit constituted 25 percent of the total households. The interesting thing that we don't know is that in Toronto it is 46 percent; in Ottawa, it was 40 percent. I don't have the figures for Hamilton, but I would suggest to you that for Hamilton it would be close to 40 percent of the householders who are non-family householders.

Taking a closer look at cities for which we do have these figures, there are some very startling trends emerging from this. The household size in Toronto in 1951 was 4.3 persons; in 1981, it was 2.4. That's almost a 44 percent change in a decade. Single person households moved from six percent to 38 percent, a several hundred percent change. As I say, I don't



have the figures for Hamilton, but what I would suggest to you is that while Hamilton may not react in exactly the same way as Toronto, I think the trends might be similar.

Large urban areas, increasing cost of housing in the urban port, increasing independence, career-oriented people, these are the kinds of things that perhaps cause that behaviour pattern. Family households have dropped from 87 percent for the City of Toronto, to 54 percent, and the population has actually decreased in the ten year period from 700 000 to 614 000 people. The number of householders however, has gone up from 162 to 255, or something approaching 40 percent. This is a chart which tries to capture the growth of households for the period of '71 through 2001. '71 to '76 as a five year period had a growth of 81 400 households in Ontario. That is to say, there are 81 400 more households in 1976 than there were in 1971. '76 to '81 that had decreased to 67 000, that is the rate of growth decreased. As you can see, there is a fairly consistent pattern here, where the rate of growth is decreasing consistently through the year 2001. These in the hatch pushing down here, are the non-family households.

I am taking my cue from the Premier, who said that as long as he is the premier of this province, there will be rent control, and I haven't heard him say he is resigning lately. No, I think one can't say what is going to happen a few years from now, but I think existing thinking is that we have to assume rent control is here to stay. These statistics make that assumption.



Not intelligible.

I think that is a fair assumption. The question is will the subsidies directed again, will it be a matter of income supplements or will it be a matter of subsidizing the particular unit of accommodation. That's the way Ontario housing works it now - they don't supplement people's income, they say we can provide you with a subsidized unit in housing, but if you want it, you have to move to where it is. Now, what could very well happen in the future, is one where we say, if you want, if you are putting out more than 40 percent, 40 percent of your income in shelter, here is the money so that we can bring that down to a manageable proportion. We won't say where you live.

Just an observation, Roy, I certainly found it very enlightening some of those statistics that you showed, particularly with average annual household growth, and perhaps that might be in some way an explanation of why a lot of major developers and house builders in our country, like Campeau Corporation, Cadillac-Fairview, Dayon, Parma, a lot of these, in fact all the ones I've mentioned, are leaving the residential industry totally and concentrating on commercial and other sectors and maybe they had this information last year, but it's a good indication of some changing times in the industry, and as you mentioned, you are concerned about the viability of the housing industry and its ability to meet the changing needs of our population, so I certainly found that very interesting.

I have a question for Carol, she's the manager of your Ontario Housing Corporation. Perhaps you could tell us what goes on in your office here, locally; perhaps some of the people might not be too familiar.



A. Well, with the Ontario Housing Corporation, in the local office, we are here to advise and consult with the Housing Authority, which manages our region, as well as what we consider the Southern Ontario branch, the Kitchener, Niagara Falls, Hamilton area, Haldimand-Norfolk, and all the areas in between there.

Basically, we are here to ensure that they are following the policy of the Ontario Government, the maintenance of the units certainly very much a dollar factor.

Q. I am aware of promotion and recommendation to intensify the availability of development, of any development. How does that stack up with the CMHC's position on the requirement? How can we work the two together?

A. Are you speaking of square footage for each senior citizen? I have some genetic development which I am sure, you are not aware of, any more than I am, of the means that we think are in the neighborhood of 500 to 535 square feet for a one-bedroom apartment for a senior citizen. I think That's a reasonable square footage. Maybe with the transit Mr. Holmes has shown, that it may be appropriate for us to review criteria like that also the form that the building takes, and so; but we are involved with talking directly to provincial level in Toronto. Our people in Toronto meet with Mr. Holmes' colleagues on a regular basis, and we, as many of you in this room know, split the allocation for units of new construction under the province's social housing program with the province, and through them, with the non-profit program. I think we are together more lately, in the last two or three years, than we have been, but there are a lot of interesting points you have made; the size of the units, the forms they take, and so on. That's something, that, politically, our Federal Minister



Provincial Minister will have to get together on regularly as well as staff of the two organizations and make sure we are sharing information. also have to set projections.

What I try to capture here, are influences. We still have a long way go in creating solutions and we have a federal partner, so they have all information, they do their own studies, we have just Ontario.

We have recently prepared something called the renovation code which addresses this business of renovation. It was necessary to come up with a code that would somehow compromise, to recognize that if we have a staircase, a beautiful staircase in a 50-year-old building that is narrower than what the current code called for, you don't rip it out, so we came out with this renovation code, which with any luck, can expect to be implemented province-wide by January, 1984. For that to be implemented, regulations have to be approved, and it has to be dovetailed into the Ontario building code and these are the types of approvals that we need to get in the next few months. When that comes in, it would remove some of the roadblocks to renovation.

I am a Hamiltonian, a senior citizen not living in senior subsidized housing, and very familiar with the status quo in this city. I remember that after the close of World War II, we made up many maps of the city, we built out many, many homes. They were very nice comfortable six-room homes, three bedrooms, living room, dining room, kitchen, nice reception hall, and they function very well today as comfortable homes, with some very fine citizens. I don't know why, in recent years, the builders have had to run such extravagant monuments. They don't appeal to me at all; with that I get into row housing, which I find very ugly, and very unattractive. There are people in this city who are trying to engineer very severe cases.



I want to say that you have to get more moderate. I want to thank you today for this Conference, and commend Mr. Cochren to think about what I said.

A. Thank you very much. I don't think time will permit me to respond on a couple of those issues, but I would be happy to speak to you afterwards.

I would like to conclude on time, Roy, perhaps we could roll the film, and if people wanted to stay, they could. Are there any other questions for Dave or Roy directly? I do have an announcement to make, that you are all invited to meet with our hosts on the third floor, in the Chedoke Room 2, for a Wine and Cheese Reception afterwards. I guess we will conclude the session, and you are free to go or to stay and enjoy the presentation by Roy.



SCIENCE & TECHNOLOGY

MODERATOR: Mr. Ben Ciprietti, Dofasco

PANELISTS: Dr. William Coderre, Executive Manager, Industry  
Development Office, NCR,  
Ottawa

Mr. John Jaffery, Industrial Research Assistance  
Program (IRAP), NCR, Ottawa

Mr. John Racks, Field Agent, Industrial Engineering  
NCR, Toronto

Thursday Afternoon, June 23, 1983



## SCIENCE &amp; TECHNOLOGY

This session on Science and Technology will be presented by Mr. William Coderre. Dr. Coderre is the Executive Manager of the Industry Development Office of the National Research Council in Ottawa. This office administers the two Industrial Support programs, the Industrial Research Assistance Program (IRAP), and the Program for Industry Laboratory Projects, (PILP). Between these two programs his office gives to Industry approximately 60 million dollars a year for technological development.

Dr. Coderre manages and administers this office and the two other speakers with us today, John Jaffery and John Racks are colleagues of Dr. Coderre's who he will introduce during his presentation.

Dr. Coderre is a graduate of the University of Ottawa in physics and semi-conductors. He has worked at Bell Northern Research laboratories for eleven years, starting as a research physicist and moving to engineering management and finally marketing research contracts. He joined the government in 1979 with the National Research Council, initially as general manager of the PILP program and in February, 1982, he accepted his current responsibilities. Dr. Coderre will speak to us today about the National Research Council and its role in Canada, and more specifically about the two programs and how you might get the share of any funding that's available.

**Dr. Coderre:**

I want to talk about the National Research Council, because my experience, both in Industry and in government has been that most people don't know about the council. They don't know what it is and they think that they know what it is, but what they think is wrong. It's just a fact. The public relations or image of the council really needs strong up-dating.

The Council was formed by government in 1912, for essentially two purposes. It was founded to be a place where Canada's intellectual scientific flowers could blossom. But the second half of its mandate is perhaps more important, and the one that is often forgotten: that is to see to it that intellectual power is applied to the economic benefit of Canada.

The Industrial Development Office is part of the National Research Council that focusses on making sure that the economic realities of Canada take advantage of the National Research Council's laboratory structures. So, that in a more formal sense, is the NRC mandate: to undertake, assist and promote scientific and engineering research for economic development. This is where I say there is sometimes a misunderstanding or a misappropriation of the role of the NRC.



st people think of it as a pure ivory tower where university professors who are too lazy to teach, go. Not true. Now, thin its mandate of supporting industrial development in Canada ere are basically seven definable aspects.

#### NRC SUPPORTS INDUSTRIAL DEVELOPMENT SEVEN WAYS

We have a responsibility to encourage companies in Canada to undertake research. And later on I'll talk about what I mean when I say research. It isn't just woolly-haired people in white coats working with glassware. We have a responsibility to make sure that the research that our woolly-haired physicists in white coats do is used by industry or is transferred to industry where they can use it. And I'll talk at considerable length about that in a few minutes.

NRC is also responsible for doing research in areas that aren't industrially relevant yet, but which will become so, according to people with foresight. For instance, over the last few years, we've had a tremendous increase in the amount of effort we are putting into energy technology, particularly renewable energy. For instance over the last fifteen years the NRC has been working quite actively in bio-technology, long before it became bio-hype.

The NRC also has the responsibility to maintain the nations standards and codes. So, we're in charge of length, weight, time, building codes, fire codes for the country. National Bureau of Standards in the United States does the same thing for the U.S.

We have a special place in our hearts for companies who don't have research facilities of their own, who don't have engineering, who are just in the business of making money, and yet technology is threatening their existance, and threatening their ability to keep hiring people. Employment and progress are very important to us.

Even the newspapers finally caught on that technology can be a very positive force in the economy and in creating jobs. So, we will talk at length about our activities to help the small company in particular before the afternoon is out.

The NRC also works to develop technical manpower. A very significant percentage of our staff are post-doctoral fellows and research associates. Young people from university who are given an opportunity to come to work at NRC to develop basic skills before they go to work in industry.



7. And we do our job lobbying to get more attention by the politicians and by the people who decide how your taxes will be spent, in this field of supporting the growth of technical competence within Canada.

So, in a nutshell these are the seven ways that NRC addresses its second mandate to be of some relevance in the economy of the country, always as related to our technology base. We are obviously not involved in areas of straight manpower development or industrial relocation or helping people in the sense of building new factories for them. Always we must relate back to the fact that the NRC is a research council. Its first and foremost concern is helping what's upstairs -- helping people develop their knowledge.

### ABOUT THE NRC

How big a council is it? Just what is this thing I referred to as the NRC? Currently it is approximately 3,000 people, of which 1,000 are scientists and engineers, a good percentage of them with their PhD's. The NRC spends about a third of a billion dollars a year, \$350 million, give or take. This represents about 20 percent of the money the government spends doing science in government establishments.

NRC is not the only part of the federal government that does research. In fact, you'll find research labs associated with the Departments of Agriculture, Communication, Energy, Mines and Resources, Fisheries and Oceans, Environment, Defence, Health and Welfare, Transport, and Public Works. So, the government is a pretty big investor in Science and Technology. In fact, the federal government spends 45 percent of all the money spend on research and development and Science and Technology in Canada. The rest comes from industry.

Compared with the rest of the world, that's a high percentage for the government to invest. But, in terms of the gross national product, it's just about normal for most of the OECD countries. What's missing in this country is a large degree of industrial investment in research and development for many reasons. Of its 350 million dollar budget, NRC spends 100 million in industry, not in its own labs. And \$60 million of that is spent through our programs, about which I'll give you more information later.

But, within the NRC facilities, are laboratories dedicated to such fields as physics, chemistry, biology, building research, mechanical engineering, aeronautical engineering, electrical engineering, energy, astro-physics, marine technology, bio-technology, industrial materials, rehabilitation, (prosthetic limbs, wheelchairs, that sort of thing), radio astronomy, plant research and nuclear physics. We pay for a major neutron facility on the West Coast, and we are also the co-owners of the Canada-France-Hawaii telescope. So we are a big institution with NRC working from Saint John's, Newfoundland to Hawaii.



## PROGRAMS

people get direct assistance from us through our programmes.

### Program for Industrial Laboratory Projects

The first is the Program for Industry Laboratory Projects, or PILP. Through PILP, administered by the NRC, companies are encouraged and assisted to find within those many, many government laboratories, including all the other departments, not just NRC, the expertise that maybe will be important to their business. And if we find the technology then we will help transfer it to you and give you some money to help you understand it and begin to use it for your own business.

To bring about the application and use of the technology from the NRC and the other government departments is necessary so you can make money from it and pay taxes to pay our scientists' salaries. It's very self-serving, in that way.

It's very easy to transfer technology. You start with all these federally-funded institutes and you have these factories, so you just transfer the technology. Unfortunately, these (factory) people don't value that technology because they don't understand it or don't trust it. These people don't want to invest in that technology because they know if they do, they will go bankrupt. They don't appreciate how sophisticated the research is. They're only interested in making money, not making knowledge. There is a kind of inherent conflict between the academic research mind and the commercial money-making mind. So we have to find ways to entice them to use this technology.

What do we do to overcome this wall of reluctance, this lack of communication and this fear of the unknown, which is valid and real? We have professional people, dedicated to the process of identifying opportunities, and to arrange the appropriate communication.

For instance, if you thought that of the 23,000 people working in the federal government laboratories there might be one who knows something that you might find useful, how would you find him? The answer is you come to us, and we will find him for you and bring him to you or you to him at our expense. That's it in a nutshell.

Who, who qualifies? Any company incorporated in Canada that can prove to us -- frankly we're soft-hearted and inclined to believe what we're told -- that it knows how to make money. It may not have made very much of it lately, but it knows how to make money. You'd be surprised how often we are approached by people who don't know how to make money. But we found ways to cope. It can be any project you believe will help you make money that in some way takes advantage of the investment the federal government has made in its own labs. The cynics definition of PILP is the retroactive justification of the money the government wasted in research. But, I'm not a cynic.



How does it work? Well, sometimes a government person just knows he's got exactly what you need and sometimes we advertise and say is anybody out there interested in this invention. More often than that someone will come to us and say I've heard about the work in this lab. Will you help me to find out whether or not I can exploit it?

Then too often, unfortunately, people will walk in and say what have you got I should make. Believe me that happens. And I tell them, if I got out of bed on the wrong side that morning, if I answered that question and you took my advice, you deserve the bankruptcy. Because no one in government knows how to run your business or knows what you want to be doing. You have to find out for yourself.

But if I've stepped from the right side of the bed, I say, gee, I don't know what I should be helping you make, but let's talk and find out. And usually that means we gradually find out in what field of activity he wants to work and within what speciality. And within that, we discover what his competence is and where he might in fact do better by having access to some expertise.

We don't decide in advance what technology to push on the unsuspecting public. Quite often they come in and ask how can you help? They do that by making a proposal to us. Whether we've told them about the technology or they've come looking they must make a proposal to us, because our business is to serve, not to dictate or dominate.

The proposal must contain what any reasonable one would contain. In fact I sometimes tell people if you prepare a prospectus to interest the venture capitalists, it would contain the same headings we're interested in. The difference is the venture capitalist is much more concerned about your economic survival. Because if he puts money in he only gets his money back if you succeed financially. We put more emphasis on the quality of the technical proposal, the quality of people who will do the technical work. Because all we're paying for as I said before is developing brain power. And even if the company goes bankrupt and those people with that new technology and those new smarts go to a different company the country still wins. So in a sense we can't lose with these investments. Unless the people leave the country, and since this is a free society we are not about to legislate that.

Let's look at some case histories. I have four examples interspersed through this lecture of the kind of technology transfer processes we do not like to see. These are the bad examples.

We don't like to see a company ask for a technology transfer and then become dependent upon us. The process should leave them running with the technology and us waving good luck. But we do have companies coming in and their definition of success is yet another government contract.



I'll give you a classic example. I won't mention the name of the Toronto company, but it exists. They came to us and said you know, we did fantastically well with this technology transfer to us. We now have the best device in the world. I said fine, why are you back? Well we want more money to make it even better. Why? Because we are not selling it. Why? Because the people are buying this inferior product. I couldn't resist saying why? Because they were not putting any effort into selling. They were putting all their effort into research. Those of you who have tried that know it's the fastest way to go bankrupt. These are the kinds of common-sense criteria we use to select a project.

They are not in a rank or order here, but obviously, to qualify for this particular program, the project has to have some relationship to exploiting government technology. That's why PILP was created. But we also must see that the company expects to make money from us. We expect to see that the company has some strengths and to see it put some money into the project too. We used to fund these projects 100 percent, and found the number of projects that actually wound up a commercial success was very low. When we got stingier, the project success rate started going up. It is common sense that if a person invests his own money, he pays more attention to what he is doing.

The level of commercial and technical risk is an interesting one. If the risk is too low, we are not interested. The government has no business interfering in things that business can do all by itself. If the risk is high we're interested. If it's too high, we're not. We like those projects that are beyond normal commercial risks, but are still very interesting. We're not interested if you are accustomed to doing research for six months in advance of a market entry. But we are interested in helping you do a project that will help you do something that's a year in advance of market entry. If you are Bell Northern Research, accustomed to doing research 10 years in advance of market entry, then we're only interested in projects that take them 15 years in advance. Our job is to help companies stretch their ability to undertake technology.

There are other parts of the government that you have probably heard of -- the Industry, Trade and Commerce and Enterprise Development programs. They will help you do things that are within your normal technical competence where the only problem is money. PILP is aimed at projects where the problem is technology.

There is another classic case we hope we're eliminating: where the promise of technology transfer is so wonderful when we get down to the contract details, the government builds all these walls to prevent you from getting your money. Or at least not for 10 years. We do our best to limit red tape. Our programs are extremely sensitive and when John Jaffery and John Racks talk to you later you will know that they are not only sensitive, they are very personal. They will send people right out to you to help you access the programs.



In fact, we no longer use the contracting mechanism. We make a contribution to the company we deal with. But in that contribution there is an agreement -- a partnership is struck. We will help you if you will help yourself.

Under PILP, where you are starting with some technology that belongs to the government, you license it at a nominal fee. But what you develop using the government's money, belongs to you. You heard Dr. Frost at lunch say he is against the regulation that says what the government pays for the government owns. We don't use that rule. What you create, you own. This is something we try to transfer technology to a company under an agreement that requires it to have a significant amount of economic or managerial or financial or technical clout to carry it on. Otherwise it's like transferring a telephone pole to a midget. It doesn't work. You can't run with it.

So sometimes the company ambitions are greater than the Company. The project may be the greatest thing since sliced bread, but the company must show evidence it is backed by somebody. In many cases, it is very technically sophisticated, but has no managerial experience whatsoever. What we are looking for are companies balanced enough to carry the burden of the technology. After all, you paid for it, and we have to answer to you.

We invested this technology in the best company because you only get one crack at technology. Once the first company has failed, technology has moved on. You can't go back for a second company, because the competition is already in there. We manage projects by nominating from our shop a project manager who is qualified technically -- a person with a technical degree in engineering or a scientific degree but is now a professional generalist. He helps many companies in his field.

For instance we have people who concentrate on the bio-technology, electronics, mechanical engineering and heavy engineering spheres. Now within that you could get really narrow specialities. Our people can't be that specialized, but they are qualified.

Because project managers don't know everything you need to know, each project has a scientific advisor who is an expert in the specific field in which your project is set. We arrange to have our own government contracting service agent, (not someone from Supply and Services), to help them keep all the "i's" dotted and the "t's" crossed.

Those companies here today who are accustomed to dealing with the government, will recognize the apprehension you feel when "getting into bed" with the government. You fear the government is going to dominate your life from then on, and control what you do.



our agreements, there are terms and conditions because there's to be. We're responsible people. But we have the minimum necessary. We won't pay you if you don't do what you promised, and there are progress reports and progress payments.

### Two Significant Criteria

At the two really significant criteria in all of our work with industry are these:

The company must promise that it will use the money and the technology in Canada. It's a Canadian economic benefit, and not just say oh that's interesting and move it to the parent company in the United States, Britain, Holland or wherever. There is a barrier against just shipping the technology offshore. You can just imagine good Canadian taxpayers' money going to build up foreign companies.

This is interesting because a Canadian manager of subsidiary company says, you mean I can get a world product mandate using your program? I'll tell my parent: hey, I can get all this free research money if you let me exploit it in Canada for the rest of the world. And we say yes, that's exactly why the conditions are there. It quickly separates the subsidiary who just do what their bosses tell them from those who have Canada's interest at heart. We've got some good deals going with some pretty good Canadian subsidiary companies. We are not against subsidiaries. We are pro-Canada.

The other condition that's important, relates to the first. They may not leak the technology offshore without our permission. Sometimes they can make a very convincing case and we'll say yes, because it is to our advantage. In fact, a subsidiary must have a world product mandate. They must not be encumbered from selling in the whole world. In other words, a company whose mandate says you may manufacture and sell only in Canada, we tell them, sorry not good enough.

### Other Criteria

Another thing we ask the companies to do is to tell us how well they've succeeded. We have to survive as a program, and if we have no successes to report, then pretty soon our taps are turned off and therefore your taps are turned off. So we make a deal with the companies: we don't want to own your technology, it belongs to you. We gave you the money because we want you to pay taxes downstream and hire lots of people downstream. So, for heaven's sake, tell us, what you've accomplished.



In the near future, the government will be coming out with some new rules that basically say whenever you come to the government for money, be prepared to explain to the government what you did with the last money you got. That's a very logical thing to ask.

I'll show you two more graphs, one which says who gets this money, because too many figure the big multi-national companies get all the money. It's not true. You'll see that small companies defined by sales of under 5 million with fewer than 200 employees, owned by Canadians get 86 percent of our money. We have a preferential option for the small companies because they actually create jobs. Big companies are actually declining in terms of total employment in Canada, although they do good things too.

So that's the way the PILP program looks. Later on John Jaffery will be showing you something about the IRAP program.

### **"Technology Transfer Payments"**

This is a graph I like. We are in the business of transferring technology from federal government laboratories all across the country. Our job is to transfer that technology to the appropriate industry to exploit and this graph shows where the technology came from and where it went to. When I'm out in the Maritimes they really get a kick out of the fact that there was technology transferred from Newfoundland to Ontario. You can see that most of the technology is going out of Ontario to the rest of the country. I call this, with tongue in cheek, "Technology Equalization Payments".

### **JOHN JAFFERY INTRODUCTION**

Now, I'm going to introduce John Jaffery, who works in our Industrial Research Assistance Program (IRAP). He's a food bio-chemist, one of our specialists who's become a generalist.

He came to Canada from Scotland in 1964 to set up the Fisheries College in Saint John's, Newfoundland, moved from there to Union Carbide where he worked in research and development and management, basically in the food sector. In 1969 he went to the College of North Bay to establish their food technology program.

He came to the NRC in 1975 and since then has been working in our Technical Inquiries Service and Technical information service. This year, we sent him to work in the field and a few months from now he'll be taking up residence in Kitchener.

He'll be working to help all the companies in this part of the world in the areas of food and food chemistry to advance their technological abilities. John will be telling you about IRAP in general, not just the Technical Information Service he's been working on.



When he's finished I'll introduce our third speaker, John Racks who works at the front end, right with the company.

#### John Jaffery:

I want to speak about a specific group of programs that can be called Industrial Research Assistance. Now, before I do that, let me tell you a little bit about the philosophy of our program because I think it explains what we are trying to do.

The first objective is straightforward: to enhance the technological capabilities of Canadian industry. That is the main objective. There are two or three ways we hope to accomplish this. One of them Bill (Coderre) has already discussed, the PILP program. I want to discuss a couple of others.

There are two other ways in which industry can benefit from technology. One is by using existing technology and the other is by creating it. And it's to those ends that I want to speak.

#### RAP Explained

I'll show you first of all what our maxim is. The Industrial Research Assistance Program, (IRAP), provides financial and technical help to increase the capabilities and scope of industrial research, technological development and technical capabilities in Canadian industry. This, of course leads to economic growth.

It means a program with 5 or 6 different elements to it. I'm going to start at the little of this list, IRAP C, The Field Advisory Service, the key to our entire operation. It consists of NRC people interfacing with the Ministry knocking on doors, finding out what the problems are and finding out what help is needed. John Rack will address this later on.

IRAP F, is a technical information service. Since in part, we're using existing technology. If you have a technological problem, and you need to know if there is a technological answer, who do you ask? Well, you can hunt around, but I'll tell you right now you can come to the NRC for free and we will find a technological solution to your technical problem.

Not only that, we will try to express that technological solution in terms you can understand and make use of on the shop floor. We understand that. We'll go a little bit further: if necessary we will come and help you put that technology into place.

Suppose you have a problem you want somebody to work on it. Often small and medium sized companies can't spare the time or the effort, or they don't have the technical engineering or



scientific staff available to work on a problem. A good way to do it is to hire an undergraduate to solve that problem, and again John Racks will be talking about that, our IRAP H program. Similarly if you require testing that is beyond the capability of your own lab, or if you have no lab at all but need some testing done, this program can help. It may relate to moisture, proteins, some machine testing, whatever, to which we make a contribution and my co-worker will explain that.

#### **IRAP Small Projects (Under \$30,000 Contribution)**

The other two elements here, the IRAP M and the IRAP P; that's the small projects and large projects. These are financial contributions to industry basically to undertake their own research and development. These contributions -- roughly 50 per cent of the costs -- are for staff, for people to work on solving your problems.

Let's look at the first one, small projects. A contribution of up to \$30,000 is available for research and development with the assistance of technological advisors from the National Research Council, Federal labs, independent research facilities, NRC field advisors and specialists from NRC. There is self-explanatory literature on this and you can read it yourself. Assistance to firms; all the conditions are there.

The result of the NRC activity is a tremendous increase in the demand for them. As you can see in the financial year 1978/79 we had 30 such projects and 81/82, 253. Our budget is about \$4.7 million.

#### **Dr. Coderre:**

Excuse me, John. Actually that slide is a little bit out of date and the current figure for 83/84 would be 400 projects and we are expecting to spend as much as 8 million dollars in this element of our program. So the growth is continuing.

#### **John Jaffery:**

Now, I stress again, this is a people-oriented program and the contributions are for the salaries of technologists, scientists, engineers and trained people to work and engage in development activities. Having said that, let's look at the larger one, what we call the main machine.

#### **IRAP Large Projects (Over \$30,000 Contribution)**

IRAP P large projects, over \$30,000. Again there is 50 percent support for these technical projects. Delivery in this case is mainly through the Ottawa office instead of the field office. It



es before a committee for industrial research assistance for  
 oated discussion, deliberation and eventually decision. It  
 kes a bit longer -- something in the order of three months from  
 ratch to successfully passing through the committee, but it's  
 ually very efficient. Over 75 percent of them are eminently  
 ccessful and we have a very high demand for this year indeed.

st important is that it must be innovative; it must be a high  
 sk research and development project, which Bill has already  
 plained. It must show clearly, economic potential. It would  
 crazy for us to engage in something without economic  
 ential. Lastly, it must show tht potential for high  
 hnological merit. Again, I stress our objective is to  
 crease the technological capabilities of Canadian industry.

ce again I stress that small and medium sized companies can  
 nefit more from Industrial Research Assistance. My graph  
 early shows it.

me of you may have pertinent questions to ask on this topic.  
 are here for the rest of the day so feel free to ask us about  
 AP. It's a lot easier than it looks. Remember, we have no  
 litical axes to grind within the National Research Council.  
 're here specifically to help industry and we are hoping that  
 dustry will take advantage of what is there. I'll pass you  
 ck to Dr. Coderre who'll introduce you to John Racks.

## **. Coderre**

ank you, John. Our third speaker is John Racks, a graduate of  
 e University of Toronto in 1954. Principally, he worked at  
 nadian General Electric, both Scarborough and Peterborough, in  
 nufacturing, engineering and management. Preferentially we  
 ploy in our programs, people with industrial experience. Why?  
 cause people who have only lived in Cloud Cuckoo land cannot  
 derstand your problem. We find if we take people from  
 dustry, we can teach them about the government. The converse  
 cannot do. With twenty years of industrial experience, John  
 me to the NRC in 1975 where has worked out of the Toronto field  
 fice as a field agent, principally in industrial engineering.  
 nn will explain the work of our field offices better than I  
 n.

## **hn Racks**

anks, Bill. To put my part of the presentation in a  
 rspective, John started off by identifying two kinds of  
 hnology with small and medium sized companies. There is  
 hnology, from existing sources, and there is new technology to  
 created. I think I'd be safe in dividing the spectrum into  
 e two kinds, the IRAP M and P programs which he described a few  
 nutes ago.



Generally they fall into the new technology category and the IRAP L, H, F and C programs really fall into the existing technology area. Don't hold me to that definition too strictly, because there are of course exceptions to any rule. As John has touched on IRAP F, I will speak on L, H and C.

### **IRAP C, The Field Advisory Service**

I emphasize again that it's technology transfer we're most interested in providing to manufacturing industry, to help solve particular problems. There is a broad pool of technology out there and we have talked only of a few, related to NRC. There are the Provincial Research Organizations (PRO's), of which Ontario Research Foundation in Mississauga is on. Various other research institutes, NRC labs, federal labs and universities, are out there too.

### **Technology "Marriages"**

There is an awful lot of technology in similar size companies out there that may have a specialty technology that can be married with yours. I find it fascinating in this field operation to try to bring technologies together from two different industrial sectors.

For example, there is a company that applied for support under IRAP M to develop a particular kind of instrument for its product. The company was taking a mechanical approach to that instrument and when we looked at the application I thought of another company that I was working with on an IRAP M application in the field of fibre optics. I got wondering by something the fibre optics people said to me in terms of their activities and direction that hey, maybe this fibre optic company can provide some higher level technology to the first company.

We brought the two together and the quick short result of it was that the first application was withdrawn. They prepared a new proposal, under a higher level, newer technology in the area of fibre optics. So there is a wealth of knowledge specialty technology out there for access.

### **IRAP C Field Advisory Service**

There are seventeen NRC staff in nine locations across Canada. In Ontario we now have 3 offices and a fourth about to be manned by John Jaffery, with others in the planning stage as well. Ultimately, we expect to have at least nine field officers in Ontario at least to serve you as close to your own doorstep as possible.



also utilize the services of provincial research organizations. George Sobering of the Ontario Research Foundation, (ORF), who is here in the audience, also works with on the delivery of some field services. There are many other search organizations accessible to the Field Advisory Service.

provide industrial engineering advice. We go in, take off our hats, roll up our sleeves, and get down to business right in your shop. We work with your own technical people and manufacturing management people to look at that particular problem. One thing often found is that the wrong problem has been identified. Maybe you are only looking at symptoms rather than the real problem, and often it's good to have someone come with a fresh perspective to look at that problem and say, hey, have you considered this? Why don't you look at that? How about this? Have you really sat down and analyzed the total situation and directed your planning to the real problem at hand? So maybe we can help in that kind of situation.

provide technical information. We have access to the Technical Information Service, which helps us take your particular problem and marry it up with the appropriate specialty technology. In other words, we in the field are generalists. We naturally can't go into depth in all fields of technology, but we can at least provide your access to them. We're windows on other IRAP services delivering the various programs and assisting in the application.

#### **IRAP Applications: Some Pointers**

IRAP application procedures for the various IRAP components are very simple and straightforward. But many times there are problems. A proposal can be written to cause the least number of questions and problems at the committee level. We have a feel for that, and can help put the right words in the right order in preparing a proposal.

well, we have a window on other NRC federal programs and access to the laboratories where there is a wealth of information. In Ottawa, we can draw these people out from time to time and get them involved, in particular situations. There are more than 1,000 service contacts per year, a good proportion of which are here in Ontario.

#### **Examples of Field Services Projects**

In the industrial engineering area, I'm working on a project right now with a small company importing medical materials and equipment, and distributing them domestically. They're a distributor, and they see advantages with the growing Canadian market, of doing some of their own manufacturing. But, they've had no experience in manufacturing. They don't know how to go



about it or what kind of equipment is involved, so they chose one particular product which seems quite simple. They had it analyzed by ORF in terms of what the components in that product were. From that they were able to identify what materials were needed but how do you put together the necessary equipment?

So they came to us and asked: how do we go about getting the right equipment; how do we plan it to gain the optimum productivity; where can we source the specialized equipment, and so on. We did some preliminary sourcing, put together a rough estimate of cost and then we brought them together with an equipment manufacturer. It was another small company nearby with whom I've worked on other problem situations so that they could together define the problem. We're at the proposal stage now and I hope it will result in a satisfactory piece of equipment.

We can also assist with other areas of industrial and manufacturing engineering, plant lay-out and material production control. Briefly, that is the field service.

### **The IRAP L Program**

IRAP L is the laboratory investigation program designed to assist you by again marrying you up to some outside help to solve a particular manufacturing problem. The outside help may be consultants, and again we identify a technology pool: consultants, PRO's like ORF, the universities and independent laboratories, of which there are many. We bring you together to identify that particular problem and support you financially. Access to this particular program is through the field advisory service, or the PRO's. We assist small companies, (200 employees or less), to access outside lab facilities. The contribution is 75 percent of a project of maximum size \$6,000. So I'm putting those two statements together. But while the maximum build cost of the outside assistance must not be more than \$6,000 our support is 75 percent of the actual cost, up to \$45,000. You are allowed up to three separate projects per fiscal year.

What kind of results are achieved from this program? There were 99 projects in the 81/82 fiscal year, a number that more than tripled in the 82/83 fiscal year. A very popular program. This program calls for a one page application form through the field officer who goes in and basically gives you approval on the spot, later confirmed by Ottawa. Because of the experience we have in this program and its objectives, we can virtually approve that project on the spot.

I don't think you'll find any other government program that will give you a one hour turn-around on an application. This fiscal year, the program has a \$2 million budget and applicants using it have seen some dramatic turnaround situations. There is one example that I'll leave you with in which both John and I were



involved. It involved three different programs, all brought together and drew some excellent results, so I'll cite the example in a minute.

## John Racks

The \$2 million budget is up from \$400,000 two years ago, and much of it comes from recent injection in the April 19th budget from the \$20 million for research and development. Let's look at the example then and we'll come back to that other example.

In the IRAP H program, the emphasis here is to input technology into your company on some kind of new initiative, by the use of technology or engineering students. Many companies out there don't have any technology base at all. But there is a tremendous need for that kind of technological input on production problems and research and development to assist in a new initiative. This way, we can support students from the recognized universities or technology schools and community colleges, on some kind of new initiative project.

Again, there is a technology pool involving science and engineering faculties and technical colleges across the country, not just in Ontario. We can move students across the country where there are universities that have some kind of specialty training that may be useful. We can provide support for placing those students across the country.

John Bill cited the example of Newfoundland. I recall a situation where I think it was an Ontario student went into Newfoundland to solve a particular problem there under the IRAP H program. The services are accessed through the Field advisory service directly from NRC people or the provincial research organizations (PRO's). Support goes to small firms, (200 employees or less), sourcing is from engineering or technology colleges and contributions are to salary on a fixed scale that we have set which is basically the scale that NRC uses to hire employees during summer co-op work terms. It is a pretty competitive scale, so the amount you may have to make up may be very small or nothing at all when you negotiate with the student or your employee.

Projects must be approved by the field officer before starting and again the turnaround is one day in essence. The student can be supervised by a Field Advisory service Officer or other qualified professional. Sometimes supervision comes from technical inquiry, John Jaffery's group.

They can be production problems, new product design or product design changes. The emphasis is new initiative on the part of the company. The problem can be quality control, but again where there is a new initiative. You could be changing your quality control system significantly or putting in quality assurance



program as opposed to simply inspection, which would not be eligible under the program. Plant lay-out is another popular area.

### **Student's Benefit Too**

At the moment even though we ran out of funding last year before the end of the summer there is significant funding now and we should provide lots of opportunity for the co-op schools, whose students also benefit. If you are not familiar with co-op schools, they are universities such as the University of Waterloo or technology colleges like Mohawk here in Hamilton who work on a semester basis and can provide students year-round. One key advantage is it gives an opportunity for the small companies to put a student on board for that relatively short four month period. He evaluates your company vice-versa and many times the companies come back and seek out that particular student after graduation for permanent employment. They know what he can do. He's already gone through the orientation stage with your company and he jumps right in right after graduation and produces very quickly following that. So that's a significant benefit from the program.

### **An IRAP H Example**

Currently, I'm working with a small furniture company east of Metro Toronto. This situation is interesting in that it involves students from Ryerson which has an excellent program, independent of NRC, that you might want to keep in mind. Their four-year Industrial Engineering Technology Program gives third year students an in-plant project. They send two students into a plant to work one day a week over a three month period on a particular project assigned to them.

I'm sometimes instrumental in matching some Ryerson students to a company that needs them, which was the case in this particular example. The furniture company official had an inventory control problem for their inhouse inventory of components. He didn't know how to set up a manual system much less a computerized system which he wanted to go to fairly quickly. So the initial project was to evaluate the situation.

The two students first identified the problem and scoped out a manual system, modelled it and ran it on a manual basis during that term. Then, we put on of them in for the summer under that IRAP H program to follow through with consultants in the small business computer area to attempt to identify existing software of develop software with the use of consultant. We're now zeroing in and defining the scope of the contract work that the consultant will do and the student is making some very valuable input. Hopefully, it will be concluded by the end of the summer, with the client company saying okay, this is the way I want to go, I've seen the system run on a computer in Ryerson and that's the hardware I'm going to buy.



## Other IRAP H Example

w, back to the example John and I were involved with. Back a year and a half or so ago, we were contacted by this company, a food manufacturing company involved in a specific product. I won't mention the product because that will identify the company. (Each client is treated with absolute confidentiality).

## John Racks (Continues Earlier IRAP L Example)

This is very important in the Field Advisory Service, because we constantly work with companies in competitive situations. This company called us because it was concerned with the extremely low productivity of a particular food process. They decided that if they weren't able to improve this process, they would shut it down. Six people would have been out the door, so we took a look at it.

Since my speciality is not food technology, I called John, we discussed the problem, and together we scoped out the kind of approach we would take on it. John had contacts with Canadore College in North Bay, where he set up the food technology course there. John contacted them and asked what they could do to help solve this problem. Arrangements were made to do some initial testing under the IRAP L program.

Under the IRAP L program, (the laboratory investigations), we identified a project that could be done at Canadore College. We needed some preliminary testing to determine what might be possible to speed up the process. Canadore drew some conclusions, and by that time it was well into the spring, and we asked: how do we implement this? We asked the college if they had some students up there who might be interested in summer employment, to come in and implement the recommendations in the company.

I recall two students were put in there, one of them supported the IRAP H program. The result of summer was that the process was modified speeding it up by a factor of three. That changed the picture completely. They were able to retain the process and the jobs.

There was another little spin-off. The Manager of Manufacturing at this food technology company wasn't aware of Canadore's activities before. But after he went up there and got involved in the project, he ended up on their board of directors because he brought some industrial expertise to the college. I thought that was a good additional technology transfer as a result of the program. In addition, those two students were hired permanently by the company as well as a third one this year.



## QUESTION PERIOD

## Question

How heavily is the NRC involved in the STEP program?

## John Jaffery

Maybe I can speak to that. The STEP program and I've forgotten the actual words for the acronym, is administered by Industry, Trade and Commerce. It's a federal program that provides funding on a three stage basis for a new initiative in applying micro-electronics to either your process or your product. Basically the three phases are first, feasibility study, second a design phase and third an implementation phase. Am I correct on that? Okay.

We are not involved directly in that program other than as field officers seeing opportunities for applying that program with clients. We would then refer them to Industry, Trade and Commerce for specific implementation and application.

## Question

What I was leading up to, basically, is this. If a manufacturer, decides there are positive advantages in computerizing his office to make the operation more efficient, would the STEP program be willing to look into the computerization of records and inventory and that sort of thing?

## John Jaffery

I'm not sure on that point. It seems to me that recently there was a similar project that was not accepted, but don't quote me because I'm guessing. Have you had experience George, in this to indicate...?

## Panelist

Sometimes our field offices are not convenient for companies from places like Come-by-Chance, Sydney or Vancouver Island. So we've instituted a little wrinkle into our programs that we will pick up 75 percent of the costs for someone from a small company to come to a laboratory and talk to experts. We're obviously not going to pay 75 percent of the costs for a major company to travel, but for a small company, we definitely will and the nearest field advisory officer can authorize that expenditure.



## nelist

Actually I'd like to add something else. There is another way to solve this same problem. If it is a small technical problem which needs solving, then an external consultant expert in that particular area could be obtained through the IRAP L program, (laboratory investigations). It includes setting up of new laboratory testing procedures. So it depends on the definition of the problem that you have, which program you would choose. The only thing simply what we'd do is to come and see, talk with you and find out what your problem is.

## erator

Any further concerns or questions? If not, then Dr. Coderre, John Jaffery, John Racks, on behalf of everyone here, I too, thank you for your very information talk. You've given us a good understanding of something that may have been virtually new to most of us, and the mechanism for assistance that might be available. I'm sure we can all take that information back to our businesses and see if it is applicable to us. Thank you very much.

## . Coderre

I could just add one point. I was saving it for a question that you didn't ask. The Hamilton area, this year, is receiving support for projects in excess of two and a half million dollars. It is possible, if it isn't you (one of you in the room) then it is somebody else.



### Question

Yes, I have two questions. Number one is I appreciate very much NRC's reputation. Is there any book around in which you describe the functions of NRC?

### Panelist

There are pamphlets at the main information table on the second floor. Or you can write or call us and we'll send you one.

### Question

The second question is we are coached by companies overseas to get things, products done here in Canada. These products very often contain certain...(components)...which we have the trouble with in sometimes not meeting the special requirement. Would NRC be prepared to assist companies when this occurs?

### Panelist

There are potentially two avenues within the spectrum of programs here that could be addressed. One is the IRAP H program, which would put a student in there, say from Industrial Engineering at U of T or from Waterloo. It would be with guidance either from us or from your own in-house people or together, to identify and develop a quality assurance program. That is really what you are looking at. This is a frequent kind of project.

As a matter of fact, in a slightly different context, we have a student working directly for us in our office and I have him doing just that in a company right now, developing a quality assurance program for them. Another channel is possible. There are a number of consultants around who specialize in quality assurance programs, quality assurance manuals and procedures and so on. This might be construed as an outside assistant for that kind of manufacturing problem, which therefore might be eligible under IRAP L.

### Panelist

I think you were correct in your question when you indicated the emphasis is on research in terms of the project funding, new technology and change in the nature of the company. When you were talking about bringing in technology which is new to you but not new per se, the best program to support you in that activity would probably be the Enterprise Development Program run by the Department of Industry, Trade and Commerce. In fact they will pick up the costs of consultants and they concentrate on industrial adjustments (re-structuring). The nature of the company is being changed, but it isn't really a technological change per se.







ECONOMIC DEVELOPMENT

MODERATOR: Paul Phoenix, President, Dofasco

PANELIST: Larry O'Toole, Federal Economic Development  
Co-ordinator, Ministry of State for  
Economic Development

Thursday Afternoon, June 23, 1983



ECONOMIC DEVELOPMENT

We're ready to begin this afternoon's session, which is on economic development. I am Paul Phoenix from Dofasco, and I will be moderating the panel with our speaker this afternoon.

Our speaker is Larry O'Toole. He is the Federal Economic Development Co-ordinator for Ontario. Mr. O'Toole will speak to you about his department and its role within the federal government system and the Ministry of State for Economic and Regional Development.

Now, this Ministry is relatively new, having been formed approximately one year ago as part of the reorganization announced by the Prime Minister. The emphasis on the reorganization was to create an increased sensitivity through all federal departments to regional development. It is concerned primarily with policy formulation, rather than specific programs that business can assess for assistance.

Larry will discuss, among other things, how members of the business community can affect policy changes and explain any implications of the present proposed policies for the Hamilton area. He is one of ten co-ordinators named to represent the federal government in the field of economic development in each province. He has a broad experience in government and in the business community. He has held senior positions within the Industrial Acceptance Corporation and the Woods-Gordon Company in the private sector and, more



recently, with External Affairs and the Treasury Board Secretariat in Ottawa. With his present appointment, Larry became the senior federal government economic development official in Ontario. It marked a major move towards ensuring that government as a whole, focuses on the regional aspects of economic development. So, I think it's a very new area, and I think we are all very interested in hearing Larry's remarks and what the role of his department will be. So, I give you Larry O'Toole.

Larry O'Toole:

Thank you very much, Paul. I'm delighted to be with you this afternoon to see as many people showing this degree of support for a rather unusual event. One, certainly of a kind, which I have not participated in before, and one in which a community as large and as diversified as Hamilton-Wentworth takes the responsibility for looking at its economy and attempting to find ways such as this to generate information and help the community help itself. I am, as Paul has said, in a very new organization within the federal government, and in order to even explain my title to you, I have to begin by giving you a little bit of background understanding of how the government decision-making system works, that's really what it is that I am intended to fit into, within the organization of government. The cabinet, as you know, is the executive side of government, as distinct from the Parliament, and the M.P.'s; the members of Cabinet as Ministers have the authority granted to them under the various acts of Parliament to operate the programs and the policy areas coming under the departments that they are responsible for. But then, collectively, when the group comes together as Cabinet, it is the executive decision-making authority of the government. The business of government, having become increasingly complicated, of course, and increasingly voluminous, has over the last twenty



years or so, resulted in various forms of innovation in the way in which Cabinet organizes itself to do its work, and it has gone through a series of evolutions, the most recent of which, in January of 1982, gave rise to the organization of which I am a part.

In the '60's, the Cabinet spun off a series of Cabinet subcommittees, each charged with trying to look after policy in a distinct area of government. Those subcommittees had certain powers and responsibilities, but it was not a very decentralized system, because none of the subcommittees had, in effect, ultimate decision-making power. Everything, after it had been considered in Cabinet committees, was left to escalate to full Cabinet. The agendas kept getting longer, and the availability of Ministers to understand the questions coming before them became increasingly fewer. Consequently, a number of other minor changes occurred during the '70's, but the major change was under the Clark government, where you probably heard of the invention of something called envelopes."

With some further refinement, these Cabinet subcommittees were given financial authority over a segment of the Government's budget, covering the area of Government for which that committee was responsible.

Essentially, there were four committees established at that time. They were slightly changed when the present Government returned to power, but, essentially, they were the same four sectors. The Government operations committee had responsibility for what is essentially the internal housekeeping aspects of government: departments like Customs, Public Works, the Department of Finance, and so on, came under the ambit of that committee. The total



budget available for spending by those departments and programs came under that committee as well, and, with very few exceptions, the committee had final decision-making on all program proposals, policy changes, new legislation, or whatever would be coming out of any of those departments, or what was sponsored by any of the Ministers responsible for those departments.

The other three were Foreign Affairs and Defense, covering the obvious areas; Social Affairs, covering all of the social programs of government, health, welfare, the environment, those kinds of programs; and, finally, the Cabinet committee on Economic Development which covered the area with which we are concerned today.

Last year, there were several organizational changes made in the Government's departments. The most notable, of which you would all be aware, was the Department of Trade and Commerce. It is being merged with the Department of Regional Economic Expansion, the old DREE. That is now, for all practical purposes, an accomplished fact. Mr. Lumley is the Minister responsible for the new department called Regional Industrial Expansion. It represents those two combined departments.

Then, in terms of the Cabinet structure, the major change was the one that affected our Ministry. We, as the Ministry of State for Economic Development, had a small group of about one hundred people. It was our job to serve the Cabinet committee that looked after the economic sector; that is, the Cabinet committee on Economic Development. This little group, this little Ministry, was just a classic secretariat. It helped to make sure the schedules were right. It made sure all of the necessary papers were available; when Ministers



d their meetings to make the decisions. It also did an independent assessment of the various policy and program proposals coming up from all the departments in that sector. This meant that when Ministers met, they had a single piece of paper that provided them with a common assessment of the pros and the cons of whether or not a particular proposal should be approved. With that change, the Government decided to expand that little secretariat and, in effect, give it a field capacity. Previously, it simply existed at the centre of government, whereas now, with the establishment of ten co-ordinators like myself, across the country, each of us with a small office of six or seven people, the idea is that the Cabinet committee, making the assessments of the policy proposals, has access to a field network; and I am it!

Now, that's where we fit in. The principal function, in terms of the Cabinet committee, is, of course, to help provide them with Ontario-oriented advice on the things that come before them. We are here as a source of advice to the Cabinet, week by week, month by month, as they go about trying to decide what to do with different policies.

The three areas that I'd like to emphasize in the role that we are trying to perform are: Internal Co-ordination within the federal system itself; Federal-Provincial co-ordinating our activities with those of the province; and trying to tap, more, the wisdom of people like yourselves as one more channel of communication with the private sector.

Under the heading of "co-ordinating within the federal system," I chair a committee which meets regularly. It is made up of the senior official, in Ontario, for each of the departments in the economic sector of the federal



Government. It won't be self evident to you who they might be, so I'll mention some of them. Some, of course, are on the panels around this Conference. They include the Department of Agriculture; Farm Credit Corporation; Department of Communications; Department of Consumer and Corporate Affairs; Energy, Mines and Resources; the Forestry part of the Department of the Environment; Fisheries and Oceans; DRIE; DREE; Federal Business Development Bank; Export Development Corporation; Department of Labour; NRC; Ministry of Transport. Those are the key ones. Obviously, the activities of Employment and Immigration are central to almost any kind of economic development thinking and, of course, work very closely with us.

Already, we are finding a tremendous amount of value in all of those departments. Their activities impact on communities and industries in ways that, until they had an understanding of each other's programs, didn't have much understanding. In addition, we are trying to do some forward thinking about where the federal programs fit into the evolution of the Ontario economy. That, again, is, as I mentioned earlier on, an idea providing a regional slant to economic planning and to the economic development thinking by the federal Government. It is a completely new idea that all departments, not just the Department of Regional Economic Expansion, should be concerned with regional aspects, the unique characteristics, region by region, across the country and that one should try to study those building blocks and discover opportunities. The activity of trying to get our minds around a collective approach to looking at the Ontario economy from a federal point of view is but another key aspect of that committee's work.

The second heading I mentioned is "Federal-Provincial." I think it is self evident that there is always need for the two levels of government to



work more closely together and really, that's what this is all about. There has always been a great deal of both formal and informal collaboration between the levels of government, but what we are attempting to do is overlay that with a certain amount of co-ordinated thinking, certainly on our side, and Queen's Park also welcomes that and are anxious to complement it in whatever way is necessary.

The principal vehicle for co-operation on economic matters in the past has been DREE, with occasional cost-shared programs. But they have been scattered. They were principally addressing the disadvantaged areas. You saw something of them very much in Southern Ontario. We are trying to broaden all of that so as to incorporate all of the programs that I listed a few minutes ago.

The third area of consultation with the private sector really covers the waterfront. It's a further effort by the federal Government to sharpen our ability to understand the players in the Ontario economy, whether it be business, or labour, the municipal level of government, the industrial development corporations, the many players who can make a distinct contribution by bringing advice to Ministers on a lot of these knotty issues, whether it be the distribution of funds, or whether it simply be major policy questions. We personally don't deliver any programs. I don't have any money to give away, and I am not nearly as expert as the people in the other rooms on the eligibility, and the terms and conditions under which various kinds of assistance can be granted. There are, however, some very interesting activities at the federal level; so one of the things I could do perhaps, if you are interested, is to talk about activities that are not being described by panelists in the other rooms.



A second area that I could discuss with you, if it is of interest, is the overall process by which business influences Government policy. I would also be interested in listening to you because I am anxious to have your views on economic issues and programs, and government policies that impact on either the region, the municipal area, or on the province as a whole, because that's the most important contribution I can make to the Ministers for whom I work in the Cabinet. Those are a menu of possibilities, and I would like to put myself in your hands.

Moderator:

Larry, maybe to start, you have a lot of people here who are interested in the region and the city, as well as the province: How do you foresee the role of help, being able to work with the City of Hamilton, or the Region, or the Provincial Government, or some program set up; or do you have contacts with these people, or foresee having them?

Panelist:

I'd have to say that I don't, obviously, have any formal program for that but, certainly, Hamilton really interests me. Ontario is, obviously, a very big province. As time goes on, we would expect to be making contact with municipal governments, certainly in major centers, like this, establishing contacts with industrial development commissions, industrial development corporations, again, particularly major ones, finding out what we can do, discovering what types of problems are being encountered and what they think they might like to advocate. I met with Dr. McIvor, Chairman, of the McMaster Advisory Committee, on one occasion. I think that I would at least want to



maintain a regular form of contact with such Committees.

I sit side by side at the NEED Board with other Federal officials concerned, as well as the provincial people, and look at the proposals as they come through, and try to look at them with some kind of feeling or awareness of the particular needs and opportunities of the area. My knowledge of the needs of the areas of Ontario is embryonic, obviously after seven months in business, I don't claim any great expertise in any particular area. Certainly and the officers who work with me, are becoming increasingly knowledgeable. That's roughly the kind of role that we see ourselves playing.

Question: Mr. O'Toole, you may not have a specific answer to my question, but you mentioned NEED. Relate that to COED, and that seems to be a major holdup in this community regarding a couple of hotels. I was wondering if you want to make any comment about that?

Answer: I am aware of the proposals, and they are in the mill. I can't comment beyond that. They are ambitious projects, and I think they are receiving the attention they deserve.

Question: My interest is related to the employment aspects of what that will be for us, because I'm responsible for the possible employment of persons on public assistance who have exhausted their unemployment insurance benefits. I'm trying to find jobs for about four thousand people. So, I am interested.

Answer: I presume that you have received some benefit on that from the projects already approved. The proposals coming from this area, along with



perhaps, two others in the province, were notably better on average in terms of quality and the degree of preparation that had gone into them. By and large, they went through very well.

Moderator: Maybe you can identify yourself to Larry.

Question: I am Ken Nesbitt, from Westinghouse. One of the problems that a number of manufacturers in this area, and certainly all through Ontario, face is the proliferation of interprovincial trade bureaus; and, in some cases, it has now reached the point where manufacturers from this area, or anywhere in Ontario, are almost excluded from bidding on contracts in other provinces, just by virtue of not having the manufacturing facilities. This seems to be a problem with the Federal Government, who is having not too much luck in resolving these problems. There appears to be very little consultation at the interprovincial level; but it occurred to me that this might be an area where you and your colleagues, in the other provinces, could become involved. Now, I don't know whether you have been involved in this issue or not, or whether it is something that you could become involved in, but at the rate these barriers are escalating, I hesitate to think about the dog-eat-dog situations we are going to be in when it comes to bidding on contracts outside the province. Utilities are one of the major problems, because they are provincially funded, and their mandate is to obtain equipment at the lowest initial cost to the taxpayers in their province. But the problem is they really don't give too much concern to the net effect it will have on the country as a whole. They seem to be looking at their own province only. Would you comment on this issue?



answer: Well, I'm glad to comment, at least to the extent, Ken, of saying that I couldn't agree with you more. I find it appalling. In fact, it is something that my colleagues and I have already identified as one of the key issues that the Federal Government has to come to grips with. It isn't easy and the Federal Government has not been quick off the mark, except, of course, for insisting on getting the minimum provisions included in the Constitution Act. That gives you the law, but it doesn't necessarily give you the practice. Major political hurdles will have to be crossed working the problem through to some kind of common solution acceptable to the various provinces. Just figuring out what the right process of negotiation and consultation might be is, itself, a bit of a trick. But, yes, we are very keenly aware of it. We also, of course, happen to be living in a province whose government is keenly conscious of it; and if we weren't moving on our own, they would certainly be prodding us to pay attention to it.

I, personally, regret the fact that I think Ontario's good record on that front is besmirched a little bit through the urban transit area. That, as my colleagues in one or two other provinces, remind me, is not going to make the going any easier.

Recent corporate activity, even where the Urban Transit Development Corporation in Ontario acquired the Thunder Bay facility, makes it look as if commuter trains and subway cars for this area probably will not be put out to general interprovincial bidding. That will make the going tougher in places like Quebec and Newfoundland where, I think, are the main sources of complaint. But, nevertheless, yes, it is not a good thing. It is not a good thing either interprovincially or internationally, and I guess, we suffer most from it when



it happens closer to home.

I might make a comment that at the recent CMA convention, there were three taped interviews, with three premiers, and that was one of the questions that was asked. The feeling was that Ontario, in general, had the least barrier excluding this. Some major federal Crown Corporations are starting to look to bidding in the States as well. I think we have to be aware of this competitive market and what is going on internationally.

Question: I'm wondering, Mr. Chairman, whether the activity in this problem leaves anything for our elected representatives carrying out their original task . . .

Answer: It certainly does. The M.P.'s and their influence, and their accessibility to their constituents, can't be duplicated by me and my three or four people. And, of course, I don't have a vote on anything and they have a vote on everything that goes through Parliament. The fact of the matter is that I think the Government's feeling, and also that of many individuals and firms in the private sector as well, was that even with all of the communication that occurs, through the political system, and indeed through the bureaucratic system, there still isn't enough that the Government is sufficiently plugged into to be able to be sensitive to the variety of, and the strength of, the views held on such a complex series of issues in the economic area. So, I hope to some extent, we are supplementing the systems that already exist, particularly as they are brought to the attention of Cabinet during the time they are looking at a particular issue. I can assure you we are not in competition without own colleagues in other departments. They are still far better at



explaining, publishing and accessing paths to their individual programs than we could ever be.

I think, perhaps, the value added by us is primarily in the policy area, as Paul has mentioned. Sure, we are a handy place to call about a program that you have difficulty getting access to, or figuring out to whom, in the Government system, you should talk to about it; but all we would be able to do is perhaps find you a name and telephone number, or get somebody to call you. We can't do much for you ourselves; whereas, on the policy questions, you probably would find that most of the bureaucrats in the regional and district offices are not themselves really equipped or conversant with the kind of policy questions that might be in front of the Cabinet. So, it's when a firm or an association wants to have something to say, that we can bring the most value in terms of adding to the communication network.

Moderator: Well, Larry, maybe you would like to examine some of these less known programs?

Answer: Well, I will mention a few of them. I think that I probably need not spend any time on most of the financial programs, the sources to which business goes for loans, or grants, or loan guarantees. That I think has been very well covered by the panelists who are already on the program from the Department of Regional and Industrial Expansion, from FBDB, and so on. Research and product development, NRC, National Research Council, is next door, but there is such a variety of research activity that goes on in the Federal Government, that I thought that would be an area that would be worth mentioning; especially at a time when the introduction of technology, either in the form of



new products, or new industrial processes, is so much on everybody's mind. I would have to start by mentioning the people next door, the technical information services of the National Research Council. It's in my opinion, a very fine program, and for manufacturers not aware of it, I would strongly advise that they make themselves aware of it. It provides in-plant industrial engineering advice. They provide an ongoing service of technical awareness on subjects of interest to individual firms. They can introduce you, on the basis of the finding of their early visits, into some of the other funding sources for additional work. It's a very valuable service. I think that most firms, particularly larger ones, are well aware of the Government's testing and lab facilities available to business and industry, usually on a fee basis. But I am sometimes surprised to discover the number of small and medium-sized businesses that are not aware of the variety of things that are available from the facilities at the Center for Inland Waters to the National Research Tunnels, Engine-Test Facilities, Marine and Ship Dynamics Labs, and low temperature labs. In all cases, these are national facilities that are available for the use of business. The Department of Communications has labs for Space and Telecommunications research where everything from full-scale satellites to components of various kinds can be tested. The Department of Public Works has computer-design facilities, particularly for buildings, bridges, and marine installations, which they too, make available for the use of business.

The National Research Council has several programs of funding assistance for development work, either to support research and development projects initiated by an individual firm, as well as other programs under which they fund firms who wish to try to exploit and adapt inventions and technology developed in government labs; in other words, to help and support the transfer



of technology that is available as a result of research in everything from national research to energy, to communications, and agricultural research that is going on throughout the government.

There is a whole variety of energy programs including funding support for companies wanting to develop processes or equipment for energy saving, energy conservation. And that certainly can be used to underwrite consulting and design types of work, and I think to some extent, equipment as well, in certain cases.

I am not sure how many people are aware that the patent office not only, of course, grants patents, but also is a mine of information on existing technologies and inventions which are, again, accessible to all comers. In connection with that, I'd like to mention a Crown Corporation, Canadian Patents and Developments Limited, whose purpose in life is to license, to the private sector, inventions, again, that have come out of Government labs; in other words, processes or products patented as a result of Government research are then turned over to Canadian Patents and Developments in order to try and arrange for their exploitation by firms who wish to do so. They have an inventory, at all times, to which people can go and see what is available for licensing.

On the marketing side, I think most people in the business world, are certainly aware of the Trade Commissioner Service, and most of the activities of the external trade promotion and trade policy branches. I just note, that it is now part of the Department of External Affairs, rather than the Department of Trade and Commerce. That was changed as a result of the same reorganization



I spoke of earlier. The services, by and large, that were available through the International Trade branches of Trade and Commerce with which you are familiar, or the Trade Commissioner Service, are still available, now through the Department of External Affairs. You would have heard from the Department of Immigration and Employment about the wide variety of programs they offer in terms of work.

Question: Can I go back to the matter of patents. I don't know whether you heard Dr. Frosst at lunchtime, or not: In terms of research activity by the universities, if some reasonable development testing of a system or project, device or whatever, developed as a result of university research, that might warrant a patent or further exploration and if the universities don't have any involvement or any authorization to pursue this, but it goes to Ottawa, and as he says, "Sits on the shelf someplace."

Answer: I didn't hear his remarks, and I'm not really sure to what he would have been referring. I am not sure in what sense it "goes to Ottawa."

Question: My understanding of what he meant, was that any discovery that university research would come up with, had to be sent to Ottawa; but had it been patented in private enterprise, it probably would have been patented and marketed . . .

Answer: I know that there is on-going difficulty about the whole business of proprietary rights. It's also true in Government labs, but was he implying that somehow the title reverted to the federal government?

Question: I don't remember that statement.



Moderator: That's my understanding.

Answer: That's something I would like to look into. It's news to me if it does, but it's the sort of thing I should know about.

Question: It could be only in cases where there is federal funding.

Answer: That's possible.

Question: If it were federal funding for the research project being developed, I support.

Answer: It could be. If it was done under funding from somebody like the National Sciences and Engineering Council, who fund hundreds of millions of dollars worth of programs in universities, then perhaps the proprietary rights go with the funding. That's probably what he was referring to. Now, my understanding would be that, that too, would automatically go into the inventory of the firm I referred to, or the organization, Canadian Patents and Developments Limited, which is accessed through Trade and Commerce. It's really just a legal entity, but it is the Department of Trade and Commerce that runs that.

Question: Larry, in your role as policy advisor, I would like to think you are getting plenty of support, and plenty of input, from the business community about expanding the mandate on EDC, in terms of their competitiveness. Our current literature, of course, states that they do offer competitive rates but, quite often, at the bottom line, their rates are really not competitive; and many times an export order rises or falls on the finances that can be put together.



I think they really have a much larger role to play in this area, not only in terms of their rates, but also in terms of perhaps branching into other areas of export assistance. I don't know if you are the conduit by which this sort of information gets back to Ottawa or not, but it seems to me that we do have that bare bones of an agency in place which could be doing a lot more for export of manufactured products in this country.

Answer: I think it is fair to say that we have had ample indication of the views of the business community on that, and have, in the course of business, inserted them into the system. It might have had something to do with the fact that Mr. Lalonde included a couple of hundred million extra dollars for EDC in the budget. The trade-off is simply money. The operations of the Export Development Corporation do represent, in spite of the fact that they do a lot of borrowing on the capital markets, a very major drain on the federal budget, and so the constant trade-off. If it was not for the limitation of funds, there is no question that EDC would be in a position to offer lower rates, and, in fact, to expand the eligible services, and goods for which they will provide financing. But as it stands now, even with the present criteria, they pretty well spend their budget without any difficulty.

Question: Are they part of the economic development ongoing program?

Answer: Yes, they are.

Question: Financed from which envelope?

Answer: In spite of the fact that they now report to the Minister of External Affairs, they still seek their funds from our envelope.



It's a major soul-searching decision every year, and sometimes a couple of times a year for Ministers. On the one hand, it represents an export subsidy of some form, and Ministers have uncertainty about just how far one should go, deal by deal, because they don't look at deal by deal, for the most part, except for the really huge ones. The major Western countries, at least by rhetoric, say that they want to bring order back into the marketplace and get out of this kind of a mug's game.

There was another meeting in Paris last week, to try to reach consensus terms, and of course, they go home, and consensus is broken the following week, and so it goes. So the Government walks a very tight line. We can never compete against the treasuries of France, or Germany, or the U.S., if it comes right down to just throwing money at it, and so, at the end of the day, we have to depend on the workings of the international system. We have to place our faith in trying to work through the international system to try to regain that consensus.

Question: How do you see Government resolving the conflict between attempting to support industry that might be deemed as already self-sufficient, but nevertheless is the type of industry that in the long run in this country, is going to survive as versus the conflict of supporting labour intensive industries.

Answer: Well, it's very hard to go very far along the answer to that question without getting into what is essentially a political answer. I think it's simply common observation to say that it is a series of political decisions. The Government's approach over the last three or four years, has been one of gradual adjustment. The Government has been striving to find some kind of middle



line that would gradually reduce the protection available to those industries from import competition while providing funds and mechanisms to the firms to help them adjust to newer technologies, to help, in some cases, excess workers move out of those trades, and even out of those communities into alternative employment. They have provided funds for the communities that are dependent exclusively on those industries to try to find diversification opportunities. They have been providing enriched assistance to other types of industries to locate in those places where that affect is hardest hit; and the theory is great, that over the period of maybe a decade, the industry has reduced itself in size, become internationally competitive, with most up-to-date technology, and meanwhile, the workers that have been displaced are at work in productive employment of other kinds. Along comes a recession of the kind we've had, and that whole neat ten-year phasing suddenly gets very jagged. I think the import quotas were probably due to be increased again this year, according to the original game plan of three years ago. I would doubt, very much, if in the present state of the economy, that, politically, they will be able to make that next move, one which would bring in more imports, expose many firms and workers to displacement, when things are already badly off, so that the game plan will probably get deferred. That's a policy that was put together trying to balance the various forces in play.

Question: I'm just wondering how are they going to resolve that conflict? Politically?

Answer: Yes, politically, and with the benefit of as much understanding and collaboration between business, labour and government as it's possible to achieve. There will be a lot of talk, a lot of understanding, probably a lot



of money involved before we get through the next ten or fifteen years. One of the reasons, I suspect, that they set up my job.

Question: Larry, how strong an input would your group have in the federal budget? Do you see your role increasing in that in the future?

Answer: Well, first of all, I should immediately say very few people outside of the Minister of Finance, and the Minister of Finance's own department, have direct input, given budget secrecy and all of that. They don't write up drafts, and send them around to a thousand public servants, even for comments. On the other hand, there obviously is a lot of discussion at senior levels of Government in the period leading up to the preparation of the budget, probably before the Department of Finance puts pen to paper. There's a lot of discussion about the options and the general thrust that should be emphasized, and the priorities, and the people like me, do get our kick at the can as that process goes along. I would have to say that a lot of the themes and priorities that came out in the budget were very consistent with the things we in Ontario were advocating.

Question: Is it a major priority? I guess what you are saying, is that it isn't, is that it?

Answer: Well, the budget frequently represents one of the major policy moves that the Government makes each year, so insofar as we are trying to influence policy, I guess we look on the budget as a high priority, as an instrument. Now, if you believe in something, you keep on fighting to get it, you don't much care how, and if something that we had been advocating strongly



didn't appear in the budget, that doesn't mean that we've lost, it just means that we have to watch for another opportunity, either in a different bill, or in a different form to try and persuade the Government to achieve that objective in a different way. So, our objective is not to help rate the budget, our objective is to try to get the kind of policies implemented that we think are needed, whether it be through the budget, or some other means.

Question: Do you see yourself spending more time on issues like Crow rates, and offshore gas exploration, or more direct issues, like the hotel or arena in Hamilton?

Answer: I would say probably, more the former. Although obviously, offshore development is not nearly as important a part of my work plan as it is my colleague in Nova Scotia, or Newfoundland, who virtually spend almost half their time on it. You call a meeting to talk about something in the venture fields, and we've got twenty-two federal departments at the table. It's almost a project management task in that sense. They are concrete activities which fall into so many different departmental ambits. Crow, is of great interest to us, and we followed the Crow issue all the way through, and have been pressing what we understood to be the interests of several sectors in Ontario: the agricultural sector, obviously, but also the steel, manufacturing and a number of others.

Question: Do you meet, Larry, with your colleagues from the other provinces, on a regular basis?

Answer: Yes, we get together about every six weeks. That's as a double group, and occasionally with some of us who have something in common.



Question: So, you become aware of the other provincial issues as well?

Answer: Yes. I'd like to reiterate my own earlier invitation. I would be glad to have not just questions, but comments, anything in the area of economic policy, or programs on which you want to express a view. Please let me have it. You mentioned Crow, by the way. Lobbies have had a lot to do with Crow. Government needs support, never forget that lobbies work both ways. When something seems to be moving in the direction that you feel is in your interest, people tend to just down tools, and I suggest that the Crow is perhaps an example for an area like this . . . one, where it is in your interest to vocally support the kind of thing the Government is trying to do, to help offset, in a political and every other way, the vocal opposition. I just mention that because you had mentioned the Crow in the conversation.

Question: How does the average person take a position with little knowledge or no concern to him in his operation? I had a question this week, "Do you support it or don't you," and I wasn't sure. If I were a farmer, I would certainly feel pretty strongly about agricultural matters. How would you lobby?

Answer: I guess in an example like that, I would tend to think that associations are the best route. That means being active in an association that you can support, and to the extent that you have time and energy to try and help the association make up its mind what stands to take. But certainly, the association gives you the ability to have a little bit of staff work and research occur to help decide which side of an issue to come down on; and also to mobilize the necessary contacts, because we're only one door into the system. As mentioned earlier, M.P.'s continue, as they always have, to be



perhaps the most important door, except for the fact that there are some two hundred and some, two hundred and eighty of them I guess, and therefore, even an association may have difficulty getting around to a whole lot of them. Associations can mobilize themselves to get at the appropriate experts in the bureaucracy who develop the alternatives, and advise ministers and, of course, they can get access to individual Ministers, either the one getting at Mr. Pepin, as the one proposing the Crow legislation, but, equally important, getting an opportunity to provide a view to any Ministers who are around my particular Cabinet committee table, all of whom have an influence at the time that proposals like that are going through the decision system. Mr. Pepin doesn't make those decisions alone. That requires more than one firm or one individual can do and that's why, for that type of an issue, I certainly advocate the association route.

Question: You asked for comments. This is a comment, not a question. The deficit is far too high, there are no plans really to reduce it, other than by increasing taxes, and this is one of the reasons why interest rates are as high as they are, and this in turn is one reason why capital investment deals are so slow in picking up. As I say, it wasn't a question, it was just a comment of mine, and I am sure you have heard that from many sources. But sometimes we get the feeling that maybe these comments just don't go far enough up the pipe to Ottawa.

Answer: Well, I'm glad you made it, because one tries to pass comments like that along to Ottawa, to try and give them some feeling of balance of views. I don't exactly count them, but it's a question of how often you hear a particular view, and where you hear it from.



Question: I'd hate you to leave Hamilton without having heard it at least once.

Answer: I heard it, and noted it. What did the CMA say to Mr. Lalonde on the deficit? Did they make a point of mentioning the kind of alarm that Ken was indicating?

I think that one has come up continually as a more ongoing one. I was thinking back on the one of the Crow which the CMA, of course, has a position of favouring the legislation in general, but the intensity varies, depending on the organization. For example, the Railway Car Manufacturers' Association has a very strong definite Crow stance, whereas the CMA may be a little bit less definitive because there are groups in there who have no feeling one way or the other. So associations will sometimes take a watered-down position. You have to go at it both ways, because as big as an association might be, you will never get a consensus among its group.

Question: There seems to be vast sums of money available to the private sector to increase productivity. I wonder what studies may be going on in the civil service to improve productivity there, so that we can decrease government costs. Just a comment, not a question.

Answer: There are various activities in play. I don't know whether you have heard Harry Rogers, the Controller-General making one of his speeches, but if you have the opportunity, I'd recommend you hear him. He came to the Government only about four years ago from a senior private sector position. He came with all of the enthusiasm that I think you would bring to the same job, and I think he's making some worthwhile progress. I'll let him beat his own chest when



you hear him, but I think progress is being made. The size of the civil service itself has been virtually unchanged now for five or six years, the mid seventies. It has been going on about eight years, and a lot has happened, and a lot of programs have been added in that time, and all that has been done without any significant change in the size.

The kinds of programs that have been brought in, for whatever reason, have tended to be very labour intensive. It takes a lot more people, if I may say so, to give individual grants for oil drilling and exploration to firms than it does to run it through the tax system. That is just one example. It's common knowledge. Labour intensive types of programs have replaced the other kind, and yet all that in a fairly stable level of public service. But more remains to be done.

You brought up another one there, the grants versus the tax incentive system and I think you made a good point that the grant system, of itself, requires much more administration from the Government point-of-view. With the tax system, of course, the presumption is that those using the benefit don't keep good track of it.

Given the objectives that the Government set itself, in the national energy program, with, at the time at least, the support of the country, it needed to be carried out in that fashion, and that's true of so many things. I wouldn't even dare to guess how many offices we have across the country delivering Unemployment Insurance, and the training programs. I have often said to friends in business that I am sure there is a computer someplace in your head office that calculates to the third decimal place just how many people you



can permit to have queued at the wicket at the local branch bank before you need to open another wicket. It doesn't seem to work that way in terms of levels of service in the government. The demand, politically and socially for the constant bringing of services, like unemployment and training services, closer and closer to the population, has resulted in an immense number of offices.

As many governments have found, it takes a very brave government to decide to close one in every ten. That kind of issue is at the heart of productivity questions when you come to look at government programs. It's not just a matter of working hard, or getting a newer machine. Customs offices are the only paying employment in some little town in the Yukon, and even for the sake of half a dozen cases a day, sometimes they have to stay open, for political reasons. That sort of thing. It's Harry Rogers. I do recommend him as a lunch-time speaker for anyone who can get him, and he can tell you what kinds of things he's finding he gets results with. These are useful comments, that I would be glad to hear more of.

Question: Are you going to have a tour of Ontario, to hear a widespread view of what goes on?

Answer: Well, we have already begun to travel a little bit. I guess I am guilty of staying fairly close to Toronto as far as Souther Ontario is concerned, but I've been fairly well into all the major centres in Northern Ontario. Tom Wright, my number two, has been into a great many more. I haven't yet really found it necessary, or possible, to go the Windsor-Cornwall route, but, in due course, I expect to do all of that. It is quite amazing just how much the views vary, even within the province. The differences in economic interests



of the different sub-regions are really quite remarkable. It makes the job more interesting, not easier.

Moderator:

If there are no further comments or questions, Larry, I think it's been a privilege to have you here today. You are starting with something that is real new to all of us. I think we are probably going to be looking forward to dealing with you on more specific policy issues in the future. Larry left some cards here if you want to get in touch with him, or Tom. It will be a great opportunity to try to become another means of getting our views through to the federal government, especially in the policy making area, and that, of course, is quite important. Once it becomes law, then we spend our time worrying about how we get out of it. Thank you again, Larry, and thank all of you for spending the time this seminar.



MODERATOR: Paul Phoenix, President, Dofasco, Inc.

PANELISTS: Lawrence O'Toole, Federal Economic Development Co-ordinator,  
Ministry of State for Economic Development.







Hamilton and Area Business and Industrial Information Conference

June 22, 23

Summation of Proceedings

Dr. R. Craig McIvor

Chairman, McMaster Advisory Committee

I particularly welcome this opportunity to offer a few summary remarks as we conclude what I believe has been a most instructive informational Conference, conducted under the joint sponsorship of government, business, labour and the University. Indeed, I would claim that the experience of our McMaster Advisory Committee, operating with the joint participation of all of these groups, has provided the model and much of the stimulus for the proceedings of these past two days.

It is obviously not possible, nor would it be desirable, that I attempt in this closing statement any summary of the discussions that have taken place within our numerous individual panels. They have covered a broad range of the programs and services offered by the four levels of government whose activities affect directly the economic welfare of the Hamilton-Wentworth Region, and taken as a whole, I believe that they have succeeded in promoting a much broader understanding of the substance and significance of those programs. I also believe that these first-hand contacts between the senior governmental officials and the representatives of our local business community have not only been stimulating and productive, but may well have laid the groundwork for continuing closer contacts between those two groups, a process that can only be to their mutual benefit.

We should not forget that while we think of "government" as a political organization, it is also, through its diverse activities, by far the most important economic institution within this country. It therefore behooves us to try to understand government programs, to benefit from them



and to criticize them on the many occasions when this is appropriate. A full knowledge of government economic programs is especially relevant in our present Canadian circumstances where they are designed to support and stimulate the private sector of the economy, which is correctly viewed as the major vehicle of economic recovery and growth.

Having listened to some vigorous exchanges of views in a number of our panel sessions, involving various areas of government policy, I believe that taken as a whole, those discussions clearly point up a number of policy areas that are critically important to the future strength of the Hamilton-Wentworth economy. The highlighting of these areas is in itself a further worthwhile accomplishment of this Conference and in the few minutes available, I simply wish to draw them to your attention.

First: In a period of exceedingly rapid technological change on a world-wide scale, our government policies must encourage excellence in research, whether in government, industry or the universities, and facilitate the introduction of new productive processes into industry. In his lunch-time address today, Dr. Frosst has provided us with excellent examples of the relevance of university research and industrial technological support for Canadian industry, and nowhere will technological innovation be more important than in our own Hamilton-Wentworth region. Failure to achieve it will seriously aggravate our "structural" problems within the regional economy, will impair our international competitiveness and will eliminate any prospect of significant economic growth and rising real incomes.

Second: closely linked to the on-going technological revolution is the need for large-scale government support for the training and retraining of labour, as the occupational and skills requirements of a structurally changing economy shift very rapidly. There is some reason to believe that the full dimensions of this problem have yet to be appreciated.



Third: Given the attainment of these structural changes that will be necessary, there is a real prospect of very substantial increases in industrial productivity, and we should be in no doubt that increased productivity represents the only means to our continuing economic growth, both within our own region and within Canada. I in no way wish to minimize the adjustment problems involved in regional structural change, especially in the short term, but with the intelligent cooperation of labour, industry and government toward a common end, I believe that solutions are possible. The determinants of productivity are of course complex, but they include attitudes as well as technology and skills.

Fourth: While our regional economy has traditionally rested on the underpinnings of heavy industry, it appears inevitable that its response to rapid technological change will involve a substantially greater diversification of its productive structure, extending through secondary manufacturing to the service industries. I also think it worthwhile to draw attention to what I think has been a long-standing undervaluation and underexploitation of the potential contributions of "small business" and of tourism and other services activities. These areas have been explored in one of our panel discussions, and we should all be aware that the small business sector generates more than twenty percent of Canada's gross national product. It is well worth promoting, for both its production and its employment contributions to our Hamilton-Wentworth region.

Fifth: Canadian economic prosperity is crucially dependent on international trade. Approximately one-third of Canada's production of goods and services is sold in foreign markets and, economically speaking, we must export or die. It does follow, however, that if we are to sell abroad our products that are internationally cost-competitive, we must be willing to purchase abroad goods and services that can be produced more efficiently



(i.e., at lower cost) elsewhere. Protectionist forces grow understandably strong during periods of recession, but they are destructive of economic growth and should not be built into the ongoing productive structure of the economy. It should be noted that protectionist policies are destructive whether international or interprovincial, and there are very disturbing trends in this latter context within the Canadian federation. Canadian economic policy, in principle if not entirely in practice, is committed to resist protectionist influences, in the realization that restrictions on imports necessarily restrict the flows of funds that enable non-residents to finance the purchase of our exports.

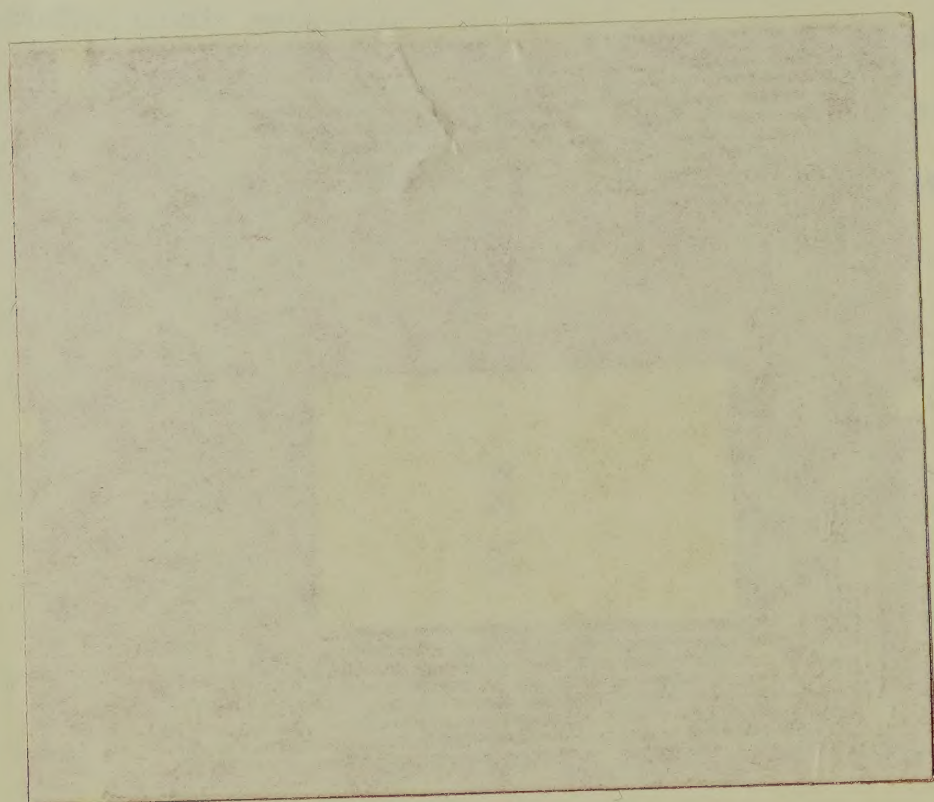
Sixth: My final point is one that I think is of outstanding importance.

It is very much in the interest of our Hamilton-Wentworth community to monitor continuously the course of evolving government policy in terms of its potential and actual impact upon our regional economy. Government policy makers are not endowed with divine guidance, and it is very easy, for example, to point to examples of ill-conceived decisions in many areas: monetary, fiscal, regional development, agricultural price-supports, industrial development, etc., that far from assisting in the restraint of inflation and of rising unemployment have in fact contributed to promoting them, or that have served to impede economic development rather than encourage it. The point, of course, is not merely to criticize such policies but with our regional economy in mind, to provide continuing constructive feedback and input to government, in the hope of improving the mix of government policy. This is clearly a role in which our business and labour sectors should play an important and indeed an essential part, if sound economic policies are to be devised. This is an objective, incidentally, to which our McMaster Advisory Committee hopes to make a modest contribution in the coming months.



In conclusion, I wish to commend and thank the Hamilton Harbour Commission for the sponsoring of this Business and Industrial Information Conference, which I believe has succeeded in providing most timely information about the range of government policies and services available for the support of the Hamilton-Wentworth economy.











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